

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

FORM 20-F

(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, 2024
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

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

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Unit 29, Huadu Mansion, 838 Zhangyang Road, Pudong New District, Shanghai 200122, The People's
Republic of China

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(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 5 ordinary shares	DQ	New York Stock Exchange
Ordinary shares, par value US\$0.0001 per share*		

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

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 **333,759,632 ordinary shares, par value US\$0.0001 per share, as of December 31, 2024.**

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[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

[†] 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 RMB7.2993 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 31, 2024. 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;
- the reduction in or elimination of government subsidies and economic incentives for solar energy applications;
- our ability to lower our production costs; and
- changes in the political and regulatory environment.

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.

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. Although the solar power industry has not been directly affected, 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, 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, including us, 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 has initiated a series of regulatory actions and statements to regulate business operations in China, such as filing requirements for China-based companies’ overseas securities offerings and listing, new measures to extend the scope of cybersecurity reviews, new laws and regulations related to data privacy and security, and expanded efforts in anti-monopoly enforcement. While we do not believe that these regulatory changes currently have any material impact on us, we will be required to comply with the filing requirements for our future securities offerings, which we cannot assure you that we will be able to complete in a timely manner, or at all.

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 became 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 make any equity or convertible debt 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, 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. On April 4, 2024, the Anti-monopoly Commission of the State Council of the PRC promulgated the Guide to the Anti-monopoly Compliance of Undertakings. 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 requires, among others, certain competent authorities to identify critical information infrastructures. The Cybersecurity Administration of China (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. On September 30, 2024, the State Council of the PRC promulgated the Regulation on Network Data Security Management, which became effective on January 1, 2025. The regulation sets forth different scenarios under which data processors would be required to apply for cybersecurity review. 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 regulations. 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 regulations are relatively new, there may be uncertainties in their interpretation and implementation, which could impact our daily business operations and our financing plans. The PRC government may also adopt other rules and restrictions that affect our business operations 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 United States adopted the Holding Foreign Companies Accountable Act on December 18, 2020, which was amended by the Consolidated Appropriations Act, 2023 that was signed into law by the U.S. president on December 29, 2022 (the amended act hereinafter referred to as the “HFCA Act”). 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 two consecutive years, 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. Pursuant to amendments made to the HFCA Act in 2022, the PCAOB may determine that it is unable to inspect or investigate completely registered public accounting firms in any foreign jurisdictions because of positions taken by any foreign authority, rather than an authority in the location in which the firms are headquartered or in which they have a branch or office, as was the case under the original version of the Act. The process for implementing trading prohibitions pursuant to the HFCA Act is based on a list of registered public accounting firms that the PCAOB is unable to inspect and investigate completely as a result of a position taken by a foreign authority. 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 had 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. As a result of this announcement, we were not for the fiscal year of 2022 or 2023, and do not expect to be for the fiscal year of 2024 or the foreseeable future, a Commission-Identified Issuer in respect of our annual report on Form 20-F. 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 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. If trading in our ADSs is prohibited under the HFCA Act in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor, the NYSE may determine to delist our ADSs and trading in our ADSs could be prohibited. The delisting of our ADSs, or the threat of their being delisted, could 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 build and operate our polysilicon and silicon metal facilities in Baotou, Inner Mongolia and Shihezi, Xinjiang;
- 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;
- 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 certain controlled U.S. technologies could also negatively affect us;
- 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;
- Changes in United States and China relations and related regulations may adversely impact our business, our operating results, our ability to raise capital, the continued listing of our ADSs on the NYSE, 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; and
- 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 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 ("ASPs") 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 selling 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 overall global solar PV demand continued to increase and the polysilicon supply was insufficient, resulting in further increases in polysilicon prices. In 2023, the polysilicon industry experienced substantial price volatility as new polysilicon capacities began production and additional polysilicon supply came to the market, which contributed to oversupply and excess of polysilicon inventory, leading to substantial price declines. Polysilicon prices rebounded in the second half of 2023, driven by delayed production plans as the low price level in Q2 was unsustainable for new entrants, and an accelerated transition to N-type products which required higher purity polysilicon products. In 2024, as oversupply of polysilicon persisted, polysilicon prices further declined and remained sluggish. For 2025, we anticipate that while the global solar PV demand will grow, the industry will continue to be oversupplied, and polysilicon prices will likely be steady at a low level until a number of industry players phase out of capacity and exit the market. However, market conditions could develop differently from what we had expected. If the overall solar demand cannot consume the 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 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 was applied in 2020. In February 2025, China announced the "Notice on Deepening Market-Based Reform of Renewable Energy on-Grid Tariffs to Promote High-Quality Renewable Energy Development," which stipulates that starting June 1, 2025, all electricity generated by China's new energy projects must fully participate in the power market and be traded at market prices. According to industry research, global solar PV installations continued its growing trend and reached approximately 130 GW in 2020, 170 GW in 2021, 230 GW in 2022, 390 GW in 2023, and 530 GW in 2024. Reductions in, or elimination of, government subsidies and economic incentives for solar energy applications before the photovoltaic industry achieves 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 improved after 2013 and we regained profitability from 2014 to 2023, we recognized net loss in 2024, and our revenues and results of operations may worsen if one or more of the above 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 projects at our polysilicon facilities in Inner Mongolia and Xinjiang. 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 year and expect in the next 12 months to continue to rely mainly on our cash, cash equivalents, and fixed term deposits 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 2024, and our N-type polysilicon, which requires higher quality as compared to P-type polysilicon, reached approximately 70% of our total products produced in 2024. We cannot assure you that we can continue to maintain the current level of high quality polysilicon production for mono-wafer applications or achieve the expected increases in the portion of N-type products in 2025.

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 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 silane (SiH₄) as feed-in gas. Moreover, some polysilicon manufacturers who are using the 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.

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 that use little to no silicon in the production of solar cells are already under research and development or have been commercialized. One example of such technologies is thin-film solar cell. 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 building integrated PV applications. Another example is the perovskite solar cell. Although currently the perovskite solar cell cannot compete with silicon-based solar cells in terms of stability and scale, it possesses great potential due to its higher theoretical conversion efficiency and lower production costs in large-scale production. 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. In particular, we may not be able to successfully build and operate our polysilicon and silicon metal facilities in Baotou, Inner Mongolia and Shihezi, Xinjiang.

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, which increased our total annual production capacity to 105,000 MT in January 2022. Our Phase 5 project of polysilicon project for the solar industry in Baotou comprises Phase 5A and Phase 5B. We began the construction of our Phase 5A project in April 2022 and completed it in April 2023. We ramped it up to its full capacity in June 2023, which increased our total annual production capacity to 205,000 MT. We began the construction of our Phase 5B project in March 2023 and started production in May 2024, which has increased our total annual production capacity to 305,000 MT. In addition, we began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024. 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 silicon metal facilities;
- 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 our manufacturing;
- inability to reduce manufacturing cost to stay competitive;
- 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. In 2022, 2023 and 2024, we sold 132,909 MT, 200,002 MT and 181,362 MT, respectively, of polysilicon. 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 5A expansion project in Baotou, Inner Mongolia, increased our nameplate annual production capacity for polysilicon to 205,000 MT in the second quarter of 2023. Our Phase 5B expansion project in Baotou, Inner Mongolia, increased our nameplate annual production capacity for polysilicon to 305,000 MT in the third quarter of 2024. 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.

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 major international competitors include Wacker, OCI and Hemlock, and our major competitors in China include GCL-Poly, Xinte Energy, Tongwei Yongxiang, Asia Silicon and Xinjiang East Hope New Energy. There are also 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 there to be additional polysilicon supply capacities from our competitors in the foreseeable future. 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 2022, 2023 and 2024, our top three customers in aggregate accounted for approximately 54.7%, 64.4% and 53.8% 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 that holds Xinjiang Daqo's shares. In the operation of Xinjiang Daqo's business, situations may 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. We currently hold a 72.8% 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, we completed annual maintenance of our Xinjiang polysilicon facilities in the second quarter of 2019, the third quarter of 2020, 2021 and 2022 and the fourth quarter of 2023. With the expansion of our capacity and the increased number of production lines, we conducted annual maintenance on different production lines at various times throughout 2024. 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, labor disputes and litigation risks.

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 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 proper 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 may from time to time be subject to litigation or other legal proceedings. Such litigation and other proceedings may include actions relating to intellectual property, supply or sales agreements or other commercial arrangements, leased properties, share transfers, non-competition, labor law, fiduciary duties, or other harm resulting from acts or omissions by us or individuals or entities outside of our control. We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, our directors, management or employees, including remedies or damage awards, and adverse results in such litigation and other proceedings may harm our business or reputation. For example, we are defendant in a pending lawsuit related to our contract disputes with two processing service suppliers. The plaintiffs requested for termination of the contract and compensation for economic losses with a total amount of RMB1,847.8 million. In July 2024, we received the court's verdict, which affirmed termination of the business cooperation agreement and ordered Xinjiang Daqo to compensate the plaintiffs for their direct losses and attorney fees totaling RMB3.2 million, while rejecting the plaintiffs' claims for compensation of their consequential losses. In March 2025, we received the second instance court's verdict, which vacated the decision of the first instance and remanded the case for a new trial. In April 2025, we received court summons, in which the plaintiffs further reduced the requested amount of compensation from Xinjiang Daqo to RMB742.7 million. The case is still pending the final verdict. If these lawsuits were not adjudicated in our favor, we may be ordered by the court to compensate the plaintiffs for their damages, which could adversely affect our results of operations and financial position.

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 (m-pox) or other epidemics or outbreaks. China reported a number of cases of SARS in April 2004. For example, since 2022 there have been reports of m-pox outbreaks in various parts of the world. In addition, the COVID-19 pandemic began in early 2020 and continued for approximately three years. The pandemic significantly affected China and many other countries, which imposed restrictive measures to prevent its spread, such as quarantines, travel restrictions and home office policies. These measures interrupted commercial activities throughout the world and adversely affected our business operations. China lifted most of the pandemic-control measures in December 2022 and downgraded the management of COVID-19 from Class A to Class B in January 2023. However, if the pandemic resurges, we may be subject to further negative impact by its outbreaks and related pandemic-control measures. 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.

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 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. In June 2022, our subsidiary Xinjiang Daqo was added to the UFLP Act entity list by the U.S. Department of Homeland Security. 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, 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 and acts essentially as the local government in Shihezi and certain other parts of Xinjiang. 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 or business partners, even if they were to be deemed as sanctioned persons. We also deal with the local government in Shihezi in the ordinary course of our business, including investing in our production facilities there. If we are deemed to have significant dealings with XPCC or one or more other 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, as of December 31, 2024, we held 429 patents and had 161 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 may 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, some of the intellectual property rights 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. Xiang Xu, our chairman and 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. Any non-competition provisions in the employment agreement with an executive officer or key employee may not be enforceable in China, where such persons reside, if any dispute arises between such persons and us.

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 March 31, 2025, Messrs. Xiang Xu, Guangfu Xu, Dafeng Shi and Fei Ge and Ms. Xiaoyu Xu, our directors that are affiliated with Daqo Group Co., Ltd. (“Daqo Group”), beneficially own a total of 118,903,625 or 35.4% of our ordinary shares, including shares that they have the right to acquire within 60 days. As a result of their relatively high level of shareholding given our broad shareholder base, 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. 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 negatively 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 their 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 March 31, 2025, 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 and the impact of COVID-19. In addition, the global economy faces challenges from geopolitical conflicts such as the Russia-Ukraine crisis since early 2022 and the related sanctions on Russia by Western countries, unrest in the Middle East such as the Israel-Hamas war since October 2023, and the tensions between the U.S. and Iran that have resulted in volatility in oil and other markets. Furthermore, the territorial disputes involving China in Asia, the tensions in the relationship between China and Japan, and the trade conflicts and tensions 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. Moreover, the Chinese economy's growth has slowed down in the recent years. It is unclear whether this trend will continue, and economic conditions in China are sensitive to global economic conditions. On the other hand, 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 beginning from 2022. Other major currencies including the Euro and the GBP also followed suit in interest rate raises. While major economies have cut interest rates to some extent, it is uncertain whether and at what pace they will continue to do so. These circumstances have resulted in significant market volatility globally.

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.

Changes in United States and China relations and related regulations may adversely impact our business, our operating results, our ability to raise capital, the continued listing of our ADSs on the NYSE, 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, such as prohibitions on certain investments in China related to semiconductors and microelectronics, quantum information technologies, and artificial intelligence; imposing sanctions on certain officials of the PRC and Hong Kong governments; enacting legislation such as the UFLPA, the HFCRA and the CHIPS and Science Act; and implementing enhanced reviews of companies with significant China-based operations.

Recently, the United States has, through several rounds of increases, imposed higher tariffs on a wide range of goods imported from multiple countries. The tariff increases on goods from China are particularly high, and China responded to the U.S. actions with retaliatory tariffs on U.S. goods and implemented export restrictions on certain critical minerals and related products. These tariffs and other trade restrictions are expected to reduce trade volumes, cross-border investment, technological exchange, and other economic activities between major economies, and have a material adverse effect on global economic conditions and the stability of global financial and stock markets, which could harm our business prospects and results of operations.

In addition, on October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement President Biden's August 2023 Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern, which became effective on January 2, 2025. This rule provided for the establishment of a new national security regulatory framework to control outbound investment from the United States in certain sensitive industry sectors in China, including Hong Kong and Macau. Subsequently, the U.S. government issued a broadly worded "America First Trade Policy" on January 20, 2025 and an "America First Investment Policy" February 21, 2025. In particular, the America First Trade Policy directs the Treasury and several other executive departments and offices of the U.S. government to review the outbound investment program. In addition, the America First Investment Policy Memorandum contemplates possible application of the outbound investment program to a wider range of technologies, including biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas "implicated by the PRC's national Military-Civil Fusion strategy" and applying restrictions to a wider range of investments, including publicly traded securities. The memorandum directs the Secretary of Treasury, in consultation with other relevant agencies, to promulgate rules and regulations to implement these policies. While these memos do not implement any immediately effective regulatory changes, they establish an important framework of action that is anticipated eventually coming into effect. Any expansion of the restrictions under the existing outbound investment rule could limit the ability of Chinese companies (including us) to raise capital from U.S. investors.

Against this backdrop, the PRC government has also, in addition to the retaliatory tariffs, taken a number of steps affecting U.S.-China relations, including the issuance of the Unreliable Entity List in 2019 (as amended from time to time) and the enactment of the Anti-Foreign Sanctions Law in 2021. The Anti-Foreign Sanctions Law provides a legal basis for the Chinese regulators to take action in response to foreign sanctions, as well as for Chinese citizens and organizations to bring civil actions for injunctive relief or damages. Under this law, the competent department of the State Council may place any individuals and organizations that are directly or indirectly involved in making, determining, or implementing the discriminatory restrictive measures as provided therein on the countermeasure list.

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, 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. In addition, the SEC has issued statements and several sample comment letters focused on companies with significant China-based operations, such as us. 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.

Furthermore, during a recent television interview, in response to a journalist's question on whether the U.S. government could include possible delistings of Chinese companies from U.S. exchanges as a possible step in resolving its ongoing trade disputes with China, the U.S. Secretary of Treasury, Scott Bessent, declined to exclude this possibility. If the U.S. government were to take such steps, it is not known how or when the U.S. government might implement such delistings or whether there would be any transition period or exceptions. If the U.S. government were to issue any order or otherwise require or cause the delisting of equity securities issued by China-based issuers, it could have a material adverse effect on the price of our ADSs. If our ADSs were to be delisted from the NYSE, we may be unable to readily obtain a listing on another stock exchange and our shareholders may suffer losses or be unable to trade our securities as a result.

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, 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, foreign exchange controls, setting monetary policies, 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 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 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. The overall effect of legislation and rule-making over the past 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. 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. Although the solar power industry has not been directly affected, 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, our ability to operate our business, our liquidity and our access to capital. For example, if a competent government agency requires us to obtain its approval and 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 may intervene or influence our operations at any time, 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 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 has initiated a series of regulatory actions and statements to regulate business operations in China, such as filing requirements for China-based companies' overseas securities offerings and listing, new measures to extend the scope of cybersecurity reviews and new laws and regulations related to data privacy and security, and expanded efforts in anti-monopoly enforcement. While we do not believe that these regulatory changes currently have any material impact on us, we will be required to comply with the filing requirements for our future securities offerings and listing, which we cannot guarantee that we will be able to complete in a timely manner, or at all.

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.

With the trend of strengthening anti-monopoly supervision around the world, the PRC government has issued a series of anti-monopoly laws and regulations, 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. On April 4, 2024, the Anti-monopoly Commission of the State Council of the PRC promulgated the Guide to the Anti-monopoly Compliance of Undertakings. 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 regulations. However, we cannot guarantee that the regulators will agree with us. On September 30, 2024, the State Council of the PRC promulgated the Regulation on Network Data Security Management, which became effective on January 1, 2025. The regulation set forth different scenarios under which data processors would be required to apply for cybersecurity review. 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 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 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 became 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 believe that, as of the date of this annual report, all current beneficial shareholders of our company who are, to our knowledge, Chinese residents have completed SAFE registration. 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, 2024, our management concluded that our internal control over financial reporting was effective. For the year ended December 31, 2024, 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 United States adopted the HFCA Act on December 18, 2020, which was amended by the Consolidated Appropriations Act, 2023 on December 29, 2022. 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 two consecutive years, 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.

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 foreign authority. Pursuant to amendments made to the HFCA Act in 2022, the PCAOB may determine that it is unable to inspect or investigate completely registered public accounting firms in any foreign jurisdictions because of positions taken by any foreign authority, rather than an authority in the location in which the firms are headquartered or in which they have a branch or office, as was the case under the original version of the Act. 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. As a result of this announcement, we were not for the fiscal year of 2022 or 2023, and do not expect to be for the fiscal year of 2024 or the foreseeable future, a Commission-Identified Issuer in respect of our annual report on Form 20-F. 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 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. If trading in our ADSs is prohibited under the HFCA Act in the future because the PCAOB determines that it cannot inspect or fully investigate our auditor, the NYSE may determine to delist our ADSs and trading in our ADSs could be prohibited. 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 \$14.04 to \$29.41 in 2024, 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.

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.

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.

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.

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 depositary 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 depositary 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 depositary. However, the depositary 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 depositary 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 depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary 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 believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our prior taxable year and there is a significant risk that we will be a PFIC for our current taxable year and in future taxable years, which could result in significant adverse U.S. federal income tax consequences to U.S. Holders in our ADSs or ordinary shares.

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 financial statements, the manner in which we conduct our business, the trading price of our ordinary shares and ADSs, the value and nature of our assets, and the sources and nature of our income, we believe that we were a PFIC for the taxable year ended December 31, 2024. Additionally, there is a significant risk that we will be a PFIC for our current taxable year and in future taxable years. The determination of whether we are a PFIC is made annually after the close of each taxable year 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 ADSs. The market price of our ADSs 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 are a PFIC for 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 (i) gain recognized on the sale or other disposition of the ADSs or ordinary shares and (ii) distributions on the ADSs or ordinary shares, and such U.S. Holder may be subject to burdensome reporting requirements. 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, even if we no longer satisfy the tests described above, unless we cease to be a PFIC and the U.S. Holder makes a special “purging” election on U.S. Internal Revenue Service (“IRS”) Form 8621. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations” for more information. U.S. Holders are urged to consult their own tax advisors regarding U.S. federal income tax consequences of holding stock or ADSs in a PFIC.

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. 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 the 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.

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.

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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.

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, comprising Phase 5A and Phase 5B), and for the semiconductor industry with a total annual production capacity of 21,000 MT, silicon metal projects with a total annual production capacity of 300,000 MT and silicone projects with a total annual production capacity of 200,000 MT in Baotou. In the first phase, we completed the construction of the Phase 5A project in April 2023 and ramped it up to its full capacity in June 2023, which increased our annual production capacity of polysilicon for the solar industry to 205,000 MT. In the second phase, we completed the construction of the Phase 5B project and began production in May 2024, which increased our annual production capacity for polysilicon to 305,000 MT. Our 1,000 MT polysilicon project for the semiconductor industry also began production in May 2024.

In November 2013, we achieved great progress in our wafer business by increasing our annual production 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 wire saws 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 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 was 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 March 31, 2025, we beneficially own a 72.8% 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 October 2021, 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.

Our principal executive offices are located at 29th Floor, 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 305,000 MT, including 105,000 MT of production capacity in Xinjiang and 200,000 MT of production capacity 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, 2024, our major polysilicon customers included operating entities of major silicon wafer producers and vertical integrated solar manufacturers.

Quarterly sales volume for polysilicon in 2024:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY 2024
Sales Volume					
Polysilicon (MT)	53,987	43,082	42,101	42,191	181,362

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 305,000 MT in the third quarter of 2024. Our actual production volume of polysilicon in 2023 and 2024 was 197,831 MT and 205,068 MT, respectively. We are one of the best-quality polysilicon makers in China. In 2024, over 99% of our polysilicon was sold to mono-wafer applications which require higher quality as compared to multi-wafer applications. In 2024, our N-type polysilicon, which requires higher quality as compared to P-type polysilicon, reached approximately 70% of our total products produced.

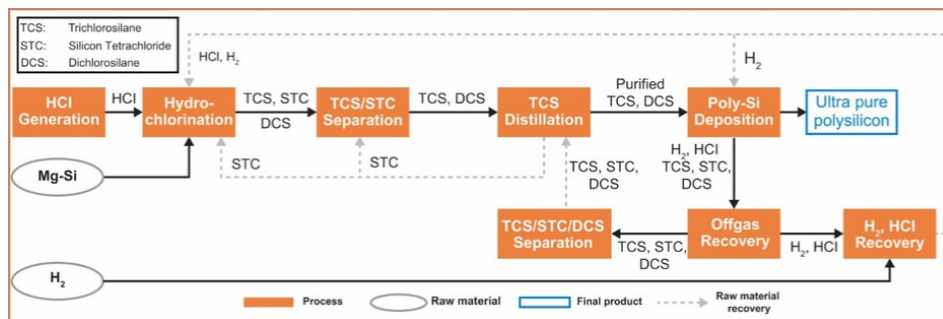
See “Item 5. Operating and Financial Review and Prospects-A. Operating Results-Components of Results of Operations-Revenues” for a breakdown of our net revenues by category of activity.

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 seed rods inside the deposition reactor. In the reactor, multiple pairs of seed 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 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 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 Annual Production Capacity	Construction Period	Commercial Production Period	Fully Ramped-up 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	June 2023
Phase 5B facilities	100,000 MT	March 2023 – May 2024	May 2024 – Present	N/A ⁽¹⁾
Polysilicon for semiconductor	1,000 MT	March 2022 – December 2024	May 2024	N/A ⁽¹⁾

Note:

- (1) We currently do not have an expected ramp-up schedule for our Phase 5B facilities or our polysilicon project for the semiconductor industry, primarily due to adverse market conditions. We will adjust our production plans for these projects based on market conditions.

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 began the construction of our Phase 5A project in March 2022 and completed it in April 2023. We ramped it up to its full capacity in June 2023, which increased our total annual production capacity of polysilicon for the solar industry to 205,000 MT. We began the construction of our Phase 5B project in March 2023 and began production in May 2024, which increased our total annual production capacity of polysilicon for the solar industry to 305,000 MT. In addition, we began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024. 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 Daqo was first recognized as a high and new technology enterprise. We have successfully renewed this certificate for Xinjiang Daqo to November 2026. In 2024, Inner Mongolia Daqo New Energy was also recognized as a high-tech enterprise, effective for three years. We will continue to apply for renewal of the certificates upon their 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, 2024, our major polysilicon customers included operating entities of major silicon wafer producers and vertical integrated solar manufacturers.

We sell a substantial portion of our polysilicon to a limited number of customers. Our top three customers in aggregate accounted for 54.7%, 64.4% and 53.8% of our continuing operations’ total revenues in 2022, 2023 and 2024, 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 822 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 2024, we completed 59 research and technology or process improvement projects to enhance our polysilicon manufacturing process, and successfully registered 112 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 December 31, 2024, we held 429 patents and had 161 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 and relationships with solar companies.

For our polysilicon business, our major international competitors include Wacker, OCI and Hemlock, and our major competitors in China include GCL-Poly, Xinte Energy, Tongwei Yongxiang, Asia Silicon, and Xinjiang East Hope New Energy. There are also new entrants into the polysilicon manufacturing market in China, such as Lihao Semiconductor and Hoshine Silicon Industry. 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 that use little to no silicon in the production of solar cells are being developed in cell manufacturing. One example of such technology is thin-film cell production. 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. Another example of such technologies is the perovskite solar cell, which we believe is challenged by its low stability and currently cannot achieve large-scale production. 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.

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.

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.

In March 2023, the National Energy Administration and other three departments jointly issued the “Notice on Organizing and Carrying out the Construction of Pilot Counties for Rural Energy Revolution,” aiming to promote the development and utilization of renewable energy power generation in rural areas.

In November 2024, the Ministry of Industry and Information Technology of the People’s Republic of China issued the revised versions of the “Conditions for Photovoltaic Manufacturing Industry” and the “Interim Measures for the Administration of Photovoltaic Manufacturing Industry Standard Announcement,” providing stricter guidelines for local authorities to strategically plan photovoltaic manufacturing projects while encouraging photovoltaic companies to focus on technological innovation, product efficiency, and production cost controls.

On November 8, 2024, the Standing Committee of the National People’s Congress promulgated the Energy Law of the People’s Republic of China, which became effective on January 1, 2025. The Energy Law of the People’s Republic of China emphasizes promoting the development and utilization of wind energy and solar energy, adhering to both centralized and distributed development, accelerating the construction of wind power and photovoltaic power generation bases, supporting the nearby development and utilization of distributed wind power and photovoltaic power generation, developing offshore wind power in a reasonable and orderly manner, and actively developing solar-thermal power generation.

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 September 6, 2024 and enforced on November 1, 2024, 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

Our operating results, profitability and operating cash flows are subject to variations due to seasonal demand patterns.

The solar PV end-markets have seen seasonal patterns in solar PV installations, particularly in recent years. For certain end-markets such as Europe, PV installation activity is generally lower in winter, recovers in spring, reaches its peak from summer to late fall, and then slows down in winter. This is partially because that the snow during winter makes residential rooftop installations difficult or even impossible and also makes fieldwork for ground-mounted projects difficult, leading to decreased installation activity in winter. Meanwhile, as ground-mounted projects generally need to be completed and connected to the grid before the onset of winter, installation activity typically increases in summer until late fall.

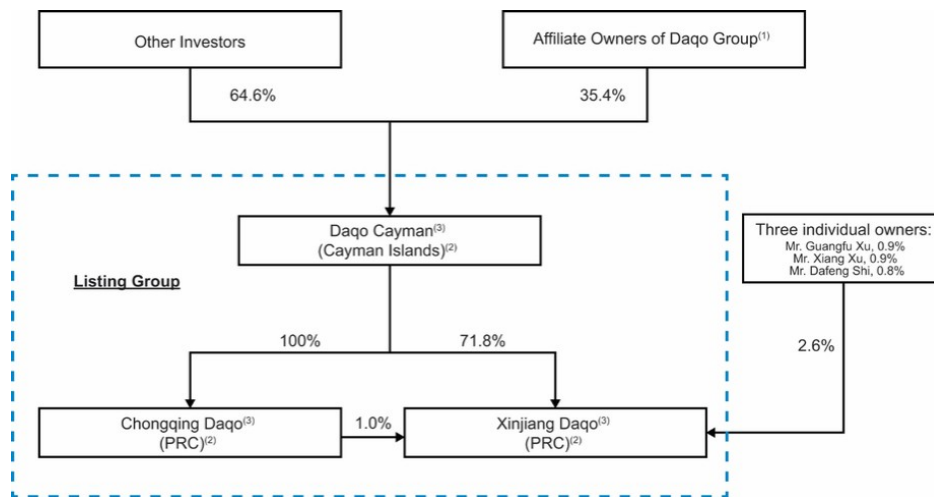
Similar seasonal patterns have also been observed in China, currently the world’s largest end-market for solar PV. End-market installation activity in China is typically lower in the beginning of the year through the Chinese New Year, which is a week-long holiday typically in February. Installation activity and end-market customer orders typically recover in spring, continue to increase in summer and fall, and reach their peak during November and December when solar projects rush to meet grid-connection deadlines, which are typically the end of the year.

As a result of the seasonal fluctuations, our customers may decide to adjust their production volume and manufacturing capacity utilization based on the anticipated or actual effect of the seasonal demand patterns in solar PV end-markets, and as a result may increase or decrease their polysilicon orders. This may have a significant impact on our customer demand and orders, as well as on our polysilicon product pricing and margins. This pattern may change, however, as a result of industry growth, government policy changes, new market opportunities, or new product introductions.

Moreover, besides seasonality, there are many other factors that may affect our customers’ order patterns, including expectations of future price movements, inventory adjustments, grid-connection deadlines, subsidy deadlines for grid-connection, government policy changes and import tariff changes. These factors may reduce or strengthen the impact of seasonal fluctuations in solar PV installations in end-markets.

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries, as of March 31, 2025.



Notes:

- (1) As of March 31, 2025, individual owners of Daqo Group that are affiliated to us, including Messrs. Xiang Xu, Guangfu Xu, Dafeng Shi, Fei Ge and Ms. Xiaoyu Xu, beneficially hold equity interests in Daqo Cayman directly and through three 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 1,221,044 square meters of office and manufacturing space in total as of December 31, 2024. As of the same date, we had been granted land use rights to approximately 1,221,044 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, Phase 5B and semi-grade polysilicon facilities are located in Baotou, Inner Mongolia, with approximately 2,134,406 square meters of office and manufacturing space in total as of December 31, 2024. As of the same date, we had been granted land use rights to approximately 2,134,406 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 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 and emission 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 and to achieve zero discharge of waste water. In addition, according to the professional appraisal, most of our solid waste is identified as general industrial solid waste that contains no toxins and can be recycled and reused. We have established a comprehensive 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. We have also established a comprehensive emergency response system and carry out emergency drills to effectively manage various kinds of environmental incidents. 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. In addition, we hold valid permits such as the Pollutant Discharge Permit and Work Safety License. Our installed atmospheric pressure containers and special equipment generally have been registered for inspection with regulatory authorities and have obtained relevant inspection reports and operation permits.

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, 2022, 2023 and 2024 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; and changes in the political and regulatory environment. 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 currently with an annual production capacity of 305,000 MT. 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. 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 in January 2022, which increased our total annual production capacity to 105,000 MT. We began the construction of our Phase 5A project in Baotou in March 2022 and completed it in April 2023. We ramped it up to its full capacity in June 2023, which increased our total annual production capacity to 205,000 MT. We began the construction of our Phase 5B project in March 2023 and began production in May 2024, which increased our total annual production capacity to 305,000 MT. In addition, we began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024.

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, 2024, our major polysilicon customers included operating entities of major silicon wafer producers and vertical integrated solar manufacturers.

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.

We have achieved considerable developments since we commenced commercial production of polysilicon in July 2008. We produced 133,812 MT, 197,831 MT and 205,068 MT of polysilicon and sold 132,909 MT, 200,002 MT and 181,362 MT in 2022, 2023 and 2024, respectively. We generated revenues of \$4,608.4 million, \$2,307.7 million and \$1,029.1 million in 2022, 2023 and 2024, respectively. We had a gross profit of \$3,407.9 million and \$920.7 million in 2022 and 2023, respectively, and a gross loss of \$212.9 million in 2024. Our gross margin was 74.0%, 39.9% and negative 20.7% in 2022, 2023 and 2024, respectively. We achieved net income attributable to Daqo New Energy Corp. shareholders of \$1,819.8 million and \$429.5 million in 2022 and 2023, respectively, and net loss attributable to Daqo New Energy Corp. shareholders of \$345.2 million in 2024.

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 metallurgical grade silicon and 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 impact of COVID-19; slowdown of the Chinese economy; rising geopolitical conflicts, such as the Russia-Ukraine war and related sanctions against Russia and energy crisis, and the Israel-Hamas war and other conflicts in the Middle East; and higher inflation and relatively high interest rate levels despite recent interest rate cuts, have made solar energy less cost competitive and less attractive as an alternative source of energy.

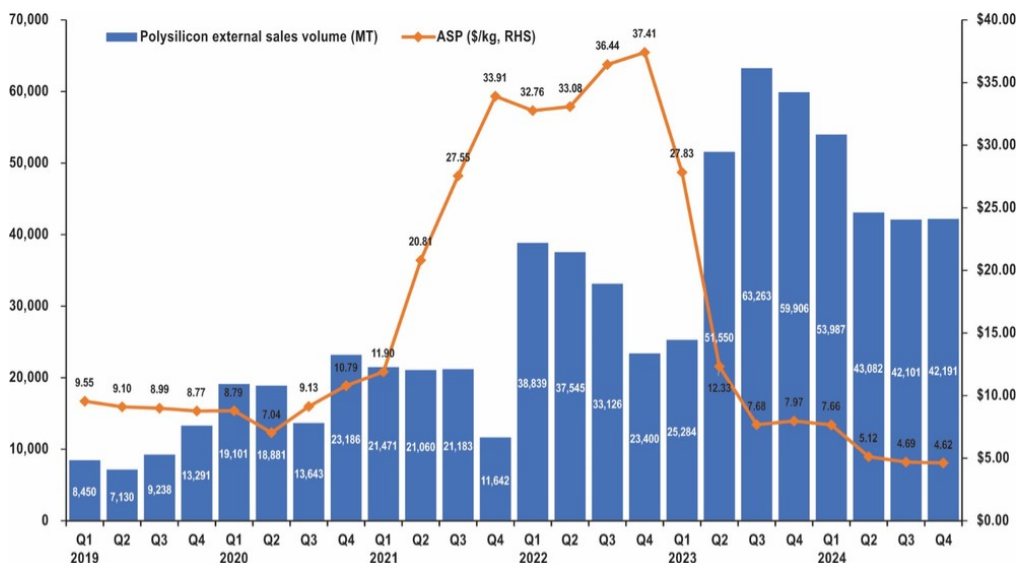
Demand for photovoltaic products is driven, in part, by government incentives that make the economic cost of solar power competitive with the cost of traditional and other forms of energy. We believe that the near-term growth of the market for solar energy applications depends in large part on the availability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

According to industry research, global solar PV installations in 2024 totaled approximately 530 GW, representing an increase of 35.9% from 390 GW in 2023. The annual newly added solar PV installations in China were estimated to be approximately 278 GW in 2024, compared to 217 GW in 2023 and 87 GW in 2022. China continued to rank as the largest solar PV market globally, with the United States and India ranking the top three globally, in terms of annual newly installed capacity in 2024. According to several solar PV market reports and our estimation, we currently expect global PV solar installations in 2025 to be approximately 550 to 600 GW.

Product prices

The selling prices of our photovoltaic products are volatile and cannot be predicted with certainty. Our gross margin increased from 65.4% in 2021 to 74.0% in 2022, primarily due to higher ASPs of polysilicon. Our gross margin decreased to 39.9% in 2023, primarily due to decreases in ASPs of polysilicon. In 2024, our gross margin decreased to negative 20.7%, primarily due to lower ASPs and inventory impairment.

Company's quarterly polysilicon external sales volume and ASPs from 2019 to 2024 (VAT excluded):



Product mix

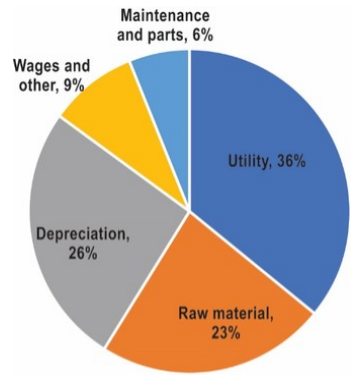
The proportion of our revenues that are generated from the sales of other photovoltaic products, also referred to as product mix, affects our revenues and profitability. We generate revenues primarily from sales of polysilicon. In 2024, our N-type polysilicon, which requires higher quality as compared to P-type polysilicon, reached approximately 70% of our total products produced. We also historically generated revenues from other products. For example, 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 currently 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 operational efficiency, cost structure and product quality by adopting new technologies and optimizing the manufacturing processes. 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 5 project of polysilicon for the solar industry in Baotou comprises Phase 5A and Phase 5B. We began the construction of our Phase 5A project in March 2022 and completed it in April 2023. We ramped it up to its full capacity in June 2023, which increased our total annual production capacity to 205,000 MT. We began the construction of our Phase 5B project in March 2023 and began production in May 2024, which increased our total annual production capacity to 305,000 MT. We also began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024.

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. 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. During 2023, our production cost decreased to \$6.78/kg as compared to 2022, primarily due to continued improvement in operational efficiency and greater economies of scale. During 2024, our production cost decreased to \$6.44/kg as compared to 2023, primarily due to continued improvement in our operational efficiency, lower cost of raw materials, and temporary shut-down of our older production lines in light of market downturns.

Indicative polysilicon production cost breakdown in Q4 2024:



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.

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We commenced polysilicon production in 2008. We produced 133,812 MT, 197,831 MT and 205,068 MT of polysilicon and sold 132,909 MT, 200,002 MT and 181,362 MT of polysilicon in 2022, 2023 and 2024, respectively. Our polysilicon selling prices are directly affected by global supply and demand conditions. 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. In 2023, the annual average selling price decreased by 66.7% as compared to 2022, primarily due to new production capacities and oversupply of polysilicon in the market. In 2024, the annual average selling price decreased by 50.7% as compared to 2023, primarily due to the continued oversupply in the market. We generated revenues of \$4,608.4 million, \$2,307.7 million and \$1,029.1 million in 2022, 2023 and 2024, respectively. We achieved net income attributable to our shareholders of \$1,819.8 million and \$429.5 million in 2022 and 2023, respectively, and net loss attributable to our shareholders of \$345.2 million in 2024.

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 2022, our top three customers 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. In 2023, our top three customers accounted for approximately 22.7%, 22.7% and 19.0% of our revenues, respectively, and the three customers in aggregate accounted for approximately 64.4% of our revenues. In 2024, our top three customers accounted for approximately 21.5%, 16.3% and 16.0% of our revenues, respectively, and the three customers in aggregate accounted for approximately 53.8% 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;
- 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.

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 in January 2022. We began the construction of our Phase 5A project in March 2022, completed it in April 2023 and ramped it up to its full capacity in June 2023. We began the construction of our Phase 5B project in March 2023 and began production in May 2024, which increased our total annual production capacity to 305,000 MT. We also began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024.

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 fluctuate based on changes in our sales volume, our sales efforts, and the number of our personnel, and we expect to continue incurring professional expenses to support our operations as a listed company in the United States.

Long-lived assets impairment

Our long-lived assets impairment is mainly related to our older polysilicon production facilities, primarily attributable to the continuous downward trend in the polysilicon selling prices that impaired the recoverability of carrying amounts of these assets.

Allowance for expected credit loss

Our allowance for expected credit loss is primarily attributable to uncertainties in recoverability of long-aged receivables.

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 in 2022, 2023 and 2024 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 usage and can be utilized 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.

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, 2022, 2023 and 2024, 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 changed to that its accumulated dividends distributed in cash in the recent three years must not be less than 30% of its average annual distributable profits in the past three years, to be compliant with PRC listing rules. That means, no less than 10% of its annual attributable profit would be distributed during each of the recent three years since 2021. We recorded liabilities for withholding income tax based on an estimate that 40.24% and 15.50% of distributable profit from Xinjiang Daqo and its subsidiaries for the years ended December 31, 2022 and 2023 would be distributed, and the remaining distributable profit will be used indefinitely for reinvestments within the PRC. For the year ended December 31, 2024, Xinjiang Daqo recorded net loss and therefore did not have any distributable profit.

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,		
	2022	2023	2024
	US\$ in thousands		
Revenues	4,608,350	2,307,695	1,029,080
Cost of revenues	(1,200,428)	(1,387,045)	(1,242,012)
Gross profit (loss)	3,407,922	920,650	(212,932)
Operating income (expenses):			
Selling, general and administrative expenses	(354,074)	(213,241)	(143,089)
Long-lived assets impairment	—	—	(175,627)
Allowance for expected credit loss	—	—	(18,072)
Research and development expenses	(10,041)	(10,116)	(4,559)
Other operating (expenses) income, net	(3,181)	86,137	(9,813)
Total operating expenses, net	(367,296)	(137,220)	(351,160)
Income (expense) from operations	3,040,626	783,430	(564,092)
Interest income, net	14,473	52,302	30,223
Exchange gain (loss)	680	(17,367)	(2,378)
Investment income, net	1,110	109	18,186
Income (loss) before income taxes	3,056,889	818,474	(518,061)
Income tax (expense) benefit	(577,247)	(165,588)	69,907
Net income (loss)	2,479,642	652,886	(448,154)
Net income (loss) attributable to non-controlling interest	659,841	223,341	(102,939)
Net income (loss) attributable to Daqo New Energy Corp.’s ordinary shareholders	1,819,801	429,545	(345,215)

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

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue. The revenue was \$1,029.1 million in 2024, representing a 55.4% decrease from \$2,307.7 million in 2023, primarily due to significantly lower polysilicon ASPs and lower sales volume. All the polysilicon sold in 2023 was manufactured in our Xinjiang facilities, and the polysilicon sold in 2024 was manufactured in our Xinjiang and Inner Mongolia facilities. Our external sales volume decreased by 9.3% from 200,002 MT in 2023 to 181,362 MT in 2024. Our annual average selling prices decreased by 50.7% from \$11.48/kg in 2023 to \$5.66/kg in 2024.

Cost of revenue. The cost of revenue was \$1,242.0 million in 2024, representing a 10.5% decrease from \$1,387.0 million in 2023. The decrease in cost of revenue from product sales was primarily attributable to lower sales volume, as well as continued improvement in our operational efficiency and production process and the cost reduction in raw materials.

Gross profit (loss). We had a gross loss of \$212.9 million in 2024, as compared with a gross profit of \$920.7 million in 2023.

Selling, general and administrative expenses. Our selling, general and administrative expenses for continuing operations decreased to \$143.1 million in 2024 from \$213.2 million in 2023, primarily due to the reduction in non-cash share-based compensation cost related to our share incentive plan, which was \$72.4 million and \$121.0 million in 2024 and 2023, respectively.

Long-lived assets impairment. While we did not have this item in 2023, we had long-lived assets impairment of \$175.6 million in 2024, mainly related to our older polysilicon facilities. Our long-lived assets impairment in 2024 was mainly because the continuous downward trend of the polysilicon selling prices impaired the recoverability of the carrying amounts of these assets.

Allowance for expected credit loss. Our allowance for expected credit loss was \$18.1 million in 2024, mainly due to uncertainties in the recoverability of long-aged receivables. We did not have allowance for expected credit loss in 2023.

Research and development expenses. Our research and development expenses were \$4.6 million in 2024, compared to \$10.1 million in 2023. The research and development expenses vary from period to period reflecting the R&D activities that occur in such period.

Other operating (expenses) income, net. Other operating expenses were \$9.8 million in 2024, compared to other operating income of \$86.1 million in 2023. Our other operating expenses in 2024 were primarily attributable to loss of disposal on fixed assets. Our other operating income in 2023 were mainly attributable government subsidies.

Interest income, net. Our net interest income was \$30.2 million in 2024, compared to net interest income of \$52.3 million in 2023. The decrease in interest income was primarily due to lower cash at bank balance as well as lower bank interest rates.

Income tax (expense) benefit. Income tax benefit were \$69.9 million in 2024, compared to income tax expense of \$165.6 million in 2023, primarily because we recorded a loss before income taxes.

Net income (loss). As a result of the foregoing, net loss was \$448.2 million in 2024, compared to net income of \$652.9 million in 2023.

Net income (loss) attributable to our shareholders. As a result of the factors described above, we had net loss attributable to our shareholders of \$345.2 million in 2024, compared to net income of \$429.5 million in 2023.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue. The revenue was \$2,307.7 million in 2023, representing a decrease of 49.9% from \$4,608.4 million in 2022, primarily due to a large decrease in polysilicon ASPs, partially mitigated by higher sales volume. The polysilicon sold in 2023 was manufactured in our Xinjiang and Inner Mongolia facilities. Our external sales volume increased by 50.5% from 132,909 MT in 2022 to 200,002 MT in 2023. Our annual average selling prices decreased by 66.7% from \$32.47/kg in 2022 to \$11.48/kg in 2023.

Cost of revenue. The cost of revenue was \$1,387.0 million in 2023, representing an increase of 15.5% from \$1,200.4 million in 2022. The increase in cost of revenue from product sales was attributable primarily to higher sales volume.

Gross profit (loss). We had a gross profit of \$920.7 million in 2023, representing a decrease of 73.0% from \$3,407.9 million in 2022.

Selling, general and administrative expenses. Our selling, general and administrative expenses for continuing operations decreased to \$213.2 million in 2023, compared to \$354.1 million in 2022, primarily due to reduction in non-cash share-based compensation related to our share incentive plan.

Research and development expenses. Our research and development expenses were \$10.1 million in 2023, compared to \$10.0 million in 2022. The research and development expenses vary from period to period reflecting the R&D activities that occur in such period.

Other operating (expenses) income, net. Other operating income was \$86.1 million in 2023, compared to other operating expenses of \$3.2 million in 2022. Our other operating income in 2023 was primarily attributable to subsidies that we received from local government authorities, which vary from period to period at the discretion of the corresponding local government authorities.

Interest income, net. Our net interest income was \$52.3 million in 2023, compared to net interest income of \$14.5 million in 2022. The increase in interest income was primarily due to higher bank cash balance.

Income tax (expense) benefit. Income tax expenses were \$165.6 million in 2023, compared to \$577.2 million in 2022, primarily due to lower income before income taxes.

Net income (loss). As a result of the foregoing, net income was \$652.9 million in 2023, compared to \$2,479.6 million in 2022.

Net income (loss) attributable to our shareholders. As a result of the factors described above, we had net profit attributable to our shareholders of \$429.5 million in 2023, a 76.4% decrease from \$1,819.8 million in 2022.

B. Liquidity and Capital Resources

Liquidity

Our cash, cash equivalents and restricted cash increased by \$2,796.4 million during 2022, decreased by \$472.4 million during 2023 and decreased by \$2,009.6 million during 2024. Net cash provided by operating activities was \$2,462.7 million and \$1,616.0 million in 2022 and 2023, respectively, and net cash used in operating activities was \$435.4 million in 2024. Net cash used in investing activities was \$998.4 million, \$1,196.0 million and \$1,480.8 million in 2022, 2023 and 2024, respectively. Net cash provided by financing activities was \$1,472.1 million in 2022, and net cash used in financing activities was \$795.4 million and \$47.4 million in 2023 and 2024, respectively.

We believe that our cash, cash equivalents, and fixed term deposits will be sufficient to meet our working capital and capital expenditure needs that will arise in 2025 and beyond.

The following significant developments in 2024 and the first quarter of 2025 have impacted our liquidity or are expected to impact our liquidity:

- As of December 31, 2024, our current assets exceeded our current liabilities by \$2,110.3 million, and our amounts due to related parties of \$10.2 million were included in our current liabilities. As of December 31, 2024, we had cash, cash equivalents and restricted cash of \$1,038.3 million and fixed-term deposits of \$1,114.8 million. We did not have any bank borrowings as of the same date. As of December 31, 2024, commitments outstanding for the purchases of property, plant and equipment approximated \$109.7 million, which will be due subsequent to our receipt of the property, plant and equipment we purchased.

- 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 production capacity of 21,000 MT, silicon metal projects with a total annual production capacity of 300,000 MT and silicone projects with a total annual production 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, a 100,000 MT polysilicon project for the solar industry, in March 2022 and completed it in April 2023. We began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024. 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 began production in May 2024. As of December 31, 2024, we have spent a total of RMB18.2 billion (\$2.5 billion) on the above projects, and we estimate our total investments for the above projects of the first and second phases in Baotou City to be approximately RMB20.61 billion (\$2.82 billion). Given adverse market conditions, we currently do not expect to incur material capital expenditures in the near future.
- In July 2024, our board of directors approved a \$100 million share repurchase program to repurchase up to US\$100 million worth of our issued and outstanding ordinary shares or ADSs, effective until June 30, 2025. The timing of repurchase, number of shares repurchased and prices paid will depend upon our operations and market conditions, as well as corporate governance and regulatory restrictions.

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,		
	2022	2023	2024
	(in thousands of US\$)		
Net cash provided by (used in) operating activities	2,462,652	1,616,042	(435,423)
Net cash used in investing activities	(998,416)	(1,195,955)	(1,480,780)
Net cash provided by (used in) financing activities	1,472,091	(795,398)	(47,356)
Effect of exchange rate changes	(139,942)	(97,083)	(46,048)
Net increase (decrease) in cash, cash equivalents and restricted cash	2,796,385	(472,395)	(2,009,607)
Cash, cash equivalents and restricted cash, at the beginning of the year	723,966	3,520,351	3,047,956
Cash, cash equivalents and restricted cash, at the end of the year	3,520,351	3,047,956	1,038,349
Supplemental disclosure of cash flow information:			
Interest paid	7,926	4,719	—
Income taxes paid	350,583	289,529	102,496
Supplemental schedule of non-cash investing activities:			
Purchases of property, plant and equipment included in the ending balance of payables	251,127	421,024	409,472
Purchases of property, plant and equipment included in the ending balance of amounts due to related parties - short-term portion	4,082	6,492	6,028

Our cash, cash equivalents and restricted cash increased by \$2,796.4 million during 2022, decreased by \$472.4 million during 2023 and decreased by \$2,009.6 million during 2024. As of December 31, 2024, we had \$1,006.5 million in cash and cash equivalents and \$31.8 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 and bank notes and cash preserved in relation to our pending litigation with a supplier. 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, 2024, we had a positive working capital (total current assets in excess of total current liabilities) of \$2,110.3million. We had cash, cash equivalents and restricted cash of \$1,038.3 million and did not have any short-term or long-term bank borrowings, as of December 31, 2024. We had total capital commitments of \$109.7 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 used in operating activities for the year ended December 31, 2024 was \$435.4 million, primarily resulting from \$1,192.1 million in payments for raw materials and utilities, \$157.8 million in employee salaries and welfare payment, and tax paid of \$124.1 million, partially offset by \$1,038.6 million in cash received from the sales of our products. We generated negative operating cash flow in 2024. The fluctuation was primarily due to lower revenues and negative gross margin.

Net cash provided by operating activities for the year ended December 31, 2023 was \$1,616.0 million, primarily resulting from \$3,760.8 million of cash received from the sales of our products, partially offset by our payments for raw materials and utilities of \$1,518.4 million, tax paid of \$462.3 million, employee salaries and welfare payment of \$159.2 million and interest payment of \$4.7 million. We generated positive operating cash flow in 2023. The fluctuation was primarily due to lower revenues and gross margin.

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.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2024 was \$1,480.8 million, primarily resulting from payments for the purchase of property, plant and equipment, land use rights, fixed-term deposit and short-term investments in a total amount of \$4,572.6 million and offset by redemption of fixed-term deposit and short-term investments of \$3,091.8 million.

Net cash used in investing activities for the year ended December 31, 2023 was \$1,196.0 million, primarily resulting from payments for the purchase of property, plant and equipment and land use rights in a total amount of \$1,186.8 million and offset by redemption of short-term investments of \$13.7 million.

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 offset by redemption of short-term investments of \$298.3 million.

Financing Activities

Net cash used in financing activities from continuing operation for the year ended December 31, 2024 was \$47.4 million, primarily resulting from dividend payment by Xinjiang Daqo of \$35.8 million, payments for repurchase of shares by Xinjiang Daqo of \$7.7 million and our share repurchase of \$5.0 million.

Net cash used in financing activities from continuing operation for the year ended December 31, 2023 was \$795.4 million, primarily resulting from our share repurchases of \$485.9 million and dividend payment by Xinjiang Daqo of \$303.7 million.

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.

Capital Expenditures

In 2022, we incurred capital expenditure of \$1,030.0 million for our Phase 4B and Phase 5A expansion projects. In 2023, we incurred capital expenditure of \$1,100.7 million for our Phase 5A and Phase 5B expansion projects and our 1,000 MT polysilicon project for the semiconductor industry. In 2024, we incurred capital expenditure of \$346.2 million for our Phase 5A and Phase 5B expansion projects and our 1,000 MT polysilicon project for the semiconductor industry. The capital expenditure per unit in Phase 1, Phase 2A, Phase 2B, Phase 3A, Phase 3B, Phase 4A, Phase 4B, Phase 5A, Phase 5B and the 1,000 MT polysilicon project was \$114.0/kg, \$56.8/kg, \$26.7/kg, \$16.5/kg, \$14.2/kg, \$13.0/kg, \$18.4/kg, \$11.6/kg, \$13.3/kg and \$141.7/kg, respectively, as of December 31, 2024. 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.

The total capital expenditures for our Phase 5A and Phase 5B expansion projects and 1,000 MT polysilicon project for the semiconductor industry are approximately \$1,160.3 million, \$1,334.5 million and \$141.7 million, respectively, of which an aggregate of \$2,497.2 million had been spent as of December 31, 2024. 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.

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 2024 totaled approximately 530 GW, representing a 35.9% increase from 390 GW in 2023. In 2024, the annual newly added solar PV installations in China were approximately 278 GW, higher than 217 GW in 2023. According to several solar PV market reports and our estimation, we expect global solar PV installations in 2024 to be approximately 550 to 600 GW.

Operational Trends

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 production capacity of 21,000 MT and silicon metal projects with a total annual production capacity of 300,000 MT in Baotou. We completed the construction of the Phase 5A project in April 2023 and ramped it up to its full capacity in June 2023, which increased our annual production capacity of polysilicon for the solar industry to 205,000 MT. We began the construction of our Phase 5B project in March 2023 and began production in May 2024, which increased our annual production capacity of polysilicon for the solar industry to 305,000 MT. We began the construction of a 1,000 MT polysilicon project for the semiconductor industry in March 2022 and began production in May 2024.

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 2024 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 \$52.56 million. If the estimated useful lives of all depreciable assets were decreased by five years, annual depreciation expense would increase by approximately \$216.38 million. We are projecting an increase in our depreciation expense in 2025 versus 2024 which is mainly driven by an increase in our projected depreciable asset base.

Impairment of Long-Lived Assets

We evaluate our long-lived assets or asset group for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of a group of long-lived assets may not be fully recoverable.

When these events occur, we evaluate the impairment by comparing the carrying amount of the assets to future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value, generally based upon discounted cash flows or market prices. Our management determines the fair value of an asset or asset group utilizing estimated future discounted cash flows and incorporates significant assumptions including revenue growth rate, gross margin, and discount rate. These assumptions might be affected by expectations about future market and economic conditions.

We did not recognize any impairment loss on long-lived assets in 2022 or 2023. We recognized impairment loss on long-lived assets of \$175.6 million in 2024.

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
Xiang Xu	54	Chairman of the board of directors and chief executive officer
Guangfu Xu	82	Director
Dafeng Shi	52	Director
Fei Ge	61	Director
Xiaoyu Xu	29	Director and deputy chief executive officer
Fumin Zhuo	73	Independent director
Rongling Chen	83	Independent director
Minsong Liang	56	Independent director
Shuming Zhao	72	Independent director
Arthur Wong	65	Independent director
Guoqing Chen	60	Independent director
Ming Yang	50	Chief financial officer

Mr. Xiang Xu is the chairman of our board of directors and our chief executive officer. He is also the president of Daqo Group and currently holds directorship positions at 25 subsidiaries of Daqo Group. Mr. Xu has served as the chairman of our board of directors and our chief executive officer since August 2023. Mr. Xu served as the general manager of Jiangsu Changjiang Electric Co., Ltd., a subsidiary of Daqo Group, from January 2000 to May 2006. Mr. Xu received his EMBA degree from Nanjing University in 2004.

Mr. Guangfu Xu is one of our directors. Mr. Xu is primarily involved in 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 served as chairman of our board of directors from our incorporation in November 2007 to August 2023. 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. Guangfu Xu is the father of Mr. Xiang Xu.

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. 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 previously 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.

Ms. Xiaoyu Xu is one of our directors and our deputy chief executive officer. Ms. Xu has served as our director since November 2023 and our deputy chief executive officer since October 2024. Ms. Xu joined the Company in May 2023 as the investor relations head and board secretary. She previously worked at J.P. Morgan in the Corporate and Investment Bank department. Ms. Xu holds an MBA degree with a concentration in finance from the Wharton School at the University of Pennsylvania, and a Bachelor of Science degree in business administration from the Haas School of Business at the University of California, Berkeley. Ms. Xiaoyu Xu is the daughter of Mr. Xiang Xu.

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 a Shanghai Stock Exchange-listed company, Shanghai Xiao Fang Pharmaceutical Co., Ltd. Mr. Zhuo has over 45 years of experience in investment and corporate management. Mr. Zhuo is currently a founder 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. 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 1995.

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 and an independent director to a Shenzhen Stock Exchange-listed company, TCL Zhonghuan, from 2012 to 2024. 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 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.

Mr. Guoqing Chen is one of our independent directors. Mr. Chen has served as our independent director since July 2023. Mr. Chen has served as the head of Shanghai Horizon Economic Research Institute since 2002. He is also the chair professor at Shanghai National Accounting Institute and the deputy director at the China Management Accounting System Research Center of Shanghai University of Finance and Economics. Mr. Chen currently serves as the chairman of Horizon International Financial Management Consulting (Shanghai) Co., Ltd., and Shanghai Horizon Value Management Software Co., Ltd. He is also an independent director at Heilongjiang Longmay Mining Group Co., Ltd., and Hongxing Xuan Paper Co., Ltd., as well as a director at Jilin Provincial Coal Industry Group Co., Ltd., and Jilin Province State-Owned Capital Operation Co., Ltd.

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.

Composition of Board of Directors

Our board of directors consists of eleven 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 2024, our aggregate payment of cash to directors or executive officers was approximately \$2.4 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, 2024. 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.

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.

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 Units. 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 non-forfeitable, 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 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 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).

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 March 31, 2025, 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 750 ordinary shares and 4,571,875 restricted share units were outstanding.

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The following table summarizes the options and restricted share units granted as of March 31, 2025 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	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
	36,575,000	N/A	August 10, 2022	August 9, 2037
Other individuals as a group	1,342,500	0.59	January 12, 2015	January 11, 2025
	3,574,000	N/A	February 3, 2017	February 2, 2027
	8,595,000	N/A	June 6, 2018	June 5, 2033
	3,592,500	N/A	December 21, 2018	December 20, 2033
	678,465	N/A	August 10, 2022	August 9, 2037
Total	102,407,473			

* “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 2024, our audit committee held meetings four times and passed written resolutions twice.

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;

- 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 2024, our Compensation Committee passed written resolutions 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 2024, our Corporate Governance and Nominating Committee held one meeting and passed written resolutions 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.

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. Specifically, each executive officer has agreed not to (1) assume employment with entities other than our company or our affiliates, or (2) participate in the business of or own any interests in our competitors, without the prior written approval by our board of directors.

D. Employees

As of December 31, 2024, we had 4,749 employees, including 3,447 in manufacturing and quality assurance, 45 in purchasing, 822 in research and development, 24 in sales and marketing and 411 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 4,099, 5,765 and 4,749 employees as of December 31, 2022, 2023 and 2024, 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 March 31, 2025, 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 335,283,577 ordinary shares outstanding as of March 31, 2025.

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 from March 31, 2025, 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 Beneficially Owned	
	Number	%
Directors and Executive Officers:		
Guangfu Xu ⁽¹⁾	61,062,257	18.2
Xiang Xu ⁽²⁾	38,389,434	11.4
Dafeng Shi ⁽³⁾	8,309,691	2.5
Fei Ge ⁽⁴⁾	11,142,242	3.3
Xiaoyu Xu ⁽⁵⁾	—	—
Fumin Zhuo ⁽⁶⁾	*	*
Rongling Chen ⁽⁷⁾	*	*
Minsong Liang ⁽⁸⁾	*	*
Shuming Zhao ⁽⁹⁾	*	*
Arthur Wong ⁽¹⁰⁾	*	*
Guoqing Chen ⁽¹¹⁾	—	—
Ming Yang ⁽¹²⁾	*	*
All directors and executive officers as a group	121,015,511	36.0
Principal Shareholders:		
Gold Intellect Limited ⁽¹³⁾	39,000,000	11.6
Mr. Michael Gorzynski ⁽¹⁴⁾	28,137,020	8.4
Duke Elite Limited ⁽¹⁵⁾	15,923,750	4.7
Plenty China Limited ⁽¹⁶⁾	14,820,000	4.4

* 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, (ii) 4,298,563 ADSs, representing 21,492,813 ordinary shares owned by Mr. Guangfu Xu, and (iii) 569,444 ordinary shares issuable upon exercise of restricted share units held by Mr. Xu that are exercisable within 60 days from March 31, 2025. 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, (iii) 1,501,359 ADSs, representing 7,506,796 ordinary shares owned by Mr. Xiang Xu, and (iv) 138,889 ordinary shares issuable upon exercise of restricted share units held by Mr. Xu that are exercisable within 60 days from March 31, 2025. 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) 3,449,584 ordinary shares held by Lucky Prosper Investments Limited, a British Virgin Islands company wholly owned and controlled by Mr. Dafeng Shi, (ii) 955,355 ADSs, representing 4,776,773 ordinary shares owned by Mr. Dafeng Shi, and (iii) 83,333 ordinary shares issuable upon exercise of restricted share units held by Mr. Shi that are exercisable within 60 days from March 31, 2025. Mr. Dafeng Shi's business address is c/o No. 11, Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Dafeng Shi is a director of our company.

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- (4) Consists of (i) 2,214,560 ADSs, representing 11,072,798 ordinary shares owned by Mr. Fei Ge, and (ii) 69,444 ordinary shares issuable upon exercise of restricted share units owned by Mr. Ge that are exercisable within 60 days from March 31, 2025. The business address of Mr. Ge is c/o No. 66, Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Fei Ge is a director of our company.
- (5) The business address of Ms. Xu is 29th Floor, Huadu Mansion, 838 Zhangyang Road, Pudong New District, Shanghai, PRC.
- (6) The business address of Mr. Zhuo is Room 1306, 13/F, Ruiming Building, No.117 Yincheng Road, Pudong New Area, Shanghai, PRC.
- (7) The business address of Mr. Chen is No.585, Apt.# 17D, 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 2307 Anzhong Building, School of Business, Nanjing University, 16 Jinyin Jie, Nanjing, PRC.
- (10) The business address of Mr. Wong is 29th Floor, Huadu Mansion, 838 Zhangyang Road, Shanghai, PRC.
- (11) The business address of Mr. Chen is 13th Floor, Tongji Science and Technology Building, No. 46 Guokang Road, Shanghai, PRC.
- (12) The business address of Mr. Yang is 29th Floor, Huadu Mansion, 838 Zhangyang Road, Shanghai, PRC.
- (13) 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.
- (14) Pursuant to the Schedule 13G filed on November 14, 2024, as the sole Manager of Percy Rockdale LLC and as a manager and Executive Chairman of Continental General Holdings LLC, Mr. Michael Gorzynski may be deemed to beneficially own 28,137,020 Shares, consisting of (i) the 166,030 Shares underlying ADSs directly beneficially owned by Percy Rockdale LLC and (ii) the 27,970,990 Shares underlying ADSs directly beneficially owned by Continental General Insurance Company. Continental General Insurance Company is wholly owned by Continental Insurance Group, Ltd., which is in turn wholly owned by Continental General Holdings LLC. Pursuant to the above Schedule 13G, the business address of Mr. Gorzynski is 595 Madison Avenue, 30th Floor, New York, NY 10022.
- (15) 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.
- (16) 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 March 31, 2025, 370,207,325 ordinary shares, representing approximately 86.6% of our total issued shares (including 1,240,461 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.

F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

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 2024, we purchased fixed assets in the amount of \$12.1 million from Nanjing Daqo Transformer Systems Co., Ltd.

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

In 2024, we purchased fixed assets in the amount of \$28.7 million from Chongqing Daqo Tailai Electric Co., Ltd.

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

In 2024, we purchased fixed assets in the amount of \$0.1 million from Zhenjiang Daqo Intelligent Electric Co., Ltd.

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

In 2024, we purchased fixed assets in the amount of \$0.6 million from Zhenjiang Moeller Electric Appliance Co., Ltd.

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

In 2024, we purchased fixed assets in the amount of \$0.6 million from Nanjing Daqo Electric Co., Ltd.

In 2024, we purchased raw materials in the amount of \$1.4 million from Nanjing Daqo Electric Co., Ltd.

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

In 2024, we purchased raw materials in the amount of \$0.02 million from Zhenjiang Electric Equipment Co., Ltd.

Related party transactions with Nanjiang Daqo Electric Institute Co., Ltd.

In 2024, we purchased fixed assets in the amount of \$1.0 million from Nanjiang Daqo Electric Institute Co., Ltd.

Related party transactions with Nanjing Daqo Automation Technology Co., Ltd.

In 2024, we purchased fixed assets in the amount of \$0.9 million from Nanjing Daqo Automation Technology Co., Ltd.

Related party transactions with Jiangsu Daqo Changjiang Electric Co., Ltd.

In 2024, we purchased fixed assets in the amount of \$7.8 million from Jiangsu Daqo Changjiang Electric Co., Ltd.

Related party transactions with Jiangsu Daqo Enclosed Busbar Systems Co., Ltd.

In 2024, we purchased fixed assets in the amount of \$0.7 million from Jiangsu Daqo Enclosed Busbar Systems Co., Ltd.

In 2024, we purchased raw materials in the amount of \$0.2 million from Jiangsu Daqo Enclosed Busbar Systems 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 may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business.

In July 2023, Xinjiang Daqo was sued by two silicon core processing service suppliers for a contract dispute. The plaintiffs requested for termination of the contract and compensation for their economic losses totaling RMB1,847.8 million, which consists largely of alleged consequential damages of the plaintiffs. In July 2024, we received the court’s verdict, which affirmed termination of the business cooperation agreement and ordered Xinjiang Daqo to compensate the plaintiffs for their direct losses and attorney fees totaling RMB3.16 million, while rejecting the plaintiffs’ claims for consequential damages. In March 2024, we received the second instance court’s verdict, which vacated the decision of the first instance and remanded the case for a new trial. In April 2025, we received court summons, in which the plaintiffs further reduced the requested amount of compensation from Xinjiang Daqo to RMB742.7 million. The case is still pending the final verdict. No contingent liabilities with respect to this contract dispute were recorded in 2024. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our operations are subject to natural disasters, adverse weather conditions, operating hazards, environmental incidents, labor disputes and litigation risks” for more information.

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 any 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.”

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 11 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.

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.

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.

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.

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 requirements adopted by the U.S. Internal Revenue Service (“IRS”) in regulations promulgated in December 2021 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 either (i) is eligible for, and properly elects, the benefits of the Treaty, or (ii) consistently elects to apply a modified version of these rules under temporary guidance and complies with specific requirements set forth in such guidance, 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. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws the temporary guidance. 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. A U.S. Holder generally will not be entitled to credit any PRC tax imposed on the sale or other disposition of the shares against such U.S. Holder’s U.S. federal income tax liability, except in the case of either (i) a U.S. Holder that is eligible for, and properly elects to claim, the benefits of the Treaty, or (ii) a U.S. Holder that consistently elects to apply a modified version of the U.S. foreign tax credit rules that is permitted under temporary guidance and complies with the specific requirements set forth in such guidance. Additionally, 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. Consequently, even if the withholding tax qualifies as a creditable tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to generally applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. If the PRC tax is not a creditable tax or is not 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. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws the temporary guidance. 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 financial statements, the manner in which we conduct our business, the trading price of our ADSs, the value and nature of our assets, and the sources and nature of our income, we believe that we were a PFIC for the taxable year ended December 31, 2024. Additionally, there is a significant risk that we will be a PFIC for our current taxable year and in future taxable years. The determination of whether we are a PFIC is made annually after the close of each taxable year, 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 ADSs. The market price of our ADSs 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 are classified as a PFIC for any taxable year in which a U.S. Holder holds our ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such holder owns our shares, even if we cease to meet the threshold requirements for PFIC status (unless the U.S. Holder makes a special “purging” election on IRS Form 8621 with respect to our shares once we are no longer a PFIC). U.S. Holders are urged to consult their own tax advisors about the application of the PFIC rules to us.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and such U.S. Holder does not make 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 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;
- 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.

Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of shares at death.

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 considered “marketable,” or 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. Once made, the election cannot be revoked without the consent of the IRS unless the shares ADSs cease to be marketable.

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. Holders that are not “United States persons” (as defined in the Code) may be required to comply with applicable certification and identification procedures to establish that they are not United States persons 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 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-selling profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish JP Morgan Chase Bank, N.A., the depository 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 depository 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 depository from us.

I. Subsidiary Information

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

J. Annual Report to Security Holders

Not applicable.

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.

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, 2024, we had RMB-denominated cash and cash equivalents of RMB5,160.4 million and U.S. dollar-denominated cash and cash equivalents of \$299.6 million. Assuming that we had converted the U.S. dollar-denominated cash and cash equivalents into RMB at the exchange rate of \$1.00 for RMB7.2993 as of December 31, 2024, this cash and cash equivalents would have been RMB2,186.5 million. Assuming a 10% appreciation of the RMB against the U.S. dollar, these cash and cash equivalents would have decreased to RMB1,987.8 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);
- 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, 2024, we did not receive any reimbursement for our expenses incurred in connection with the establishment and maintenance of the ADS program from the depositary.

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.

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-151 or 15d-15(e) promulgated under the Exchange Act, as of December 31, 2024. 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, 2024.

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, 2024. 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, 2024, 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, 2024, has also audited the effectiveness of internal control over financial reporting as of December 31, 2024.

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, 2024, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.**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/>.

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,	
	2023	2024
	(in US\$ thousands)	
Audit fees ⁽¹⁾	1,132	1,065
Others ⁽²⁾	23	50
Total:	1,155	1,115

- (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, the review of our comparative interim financial statements and the verification of Xinjiang Daqo’s registered capital and share capital as of December 31, 2024.
- (2) Others refer to the aggregate fees for ESG consultation services rendered by our independent registered public accounting firm to Xinjiang Daqo related to its ESG report and certain operating consultation services.

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 2024 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 (\$) ⁽¹⁾	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) ⁽³⁾
January 2024 ⁽²⁾	188,900	26.46	188,900	—
February 2024	—	—	—	—
March 2024	—	—	—	—
April 2024	—	—	—	—
May 2024	—	—	—	—
June 2024	—	—	—	—
July 2024	—	—	—	100
August 2024	—	—	—	100
September 2024	—	—	—	100
October 2024	—	—	—	100
November 2024	—	—	—	100
December 2024	—	—	—	100

(1) Excluding broker and transaction fees.

(2) The share repurchase settlement in January 2024 was related to trades executed in December 2023 pursuant to our share repurchase program that was approved by our board of directors on November 7, 2022 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.

(3) On July 22, 2024, we announced a share repurchase program approved by our board of directors to repurchase up to \$100 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 July 22, 2024 to June 30, 2025. By the end of 2024, we had not purchased any of our ordinary shares or ADSs pursuant to this share repurchase program.

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

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

We have adopted an insider trading policy (the “Insider Trading Policy”), which governs the purchase, sale and other dispositions of our securities by our directors, executive officers and employees. Our Insider Trading Policy aims to promote compliance with applicable insider trading laws, rules and regulations, and the NYSE listing standards. A copy of our Insider Trading Policy is filed as Exhibit 11.2 to this Annual Report.

ITEM 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented robust processes for assessing, identifying and managing material risks from cybersecurity threats, including processes to oversee and identify risks from cybersecurity threats associated with our use of third-party service providers. These processes mainly include:

- (i) Preparation stage: During this stage, we determine the targets and scope of our cybersecurity risk assessment and set up different levels of cybersecurity risk and our general response to each level of risk;
- (ii) Risk identification: We identify the nature and source of the cybersecurity risk and assess the vulnerability of our relevant system and technology;
- (iii) Risk analysis: We determine the level of cybersecurity risk by analyzing the cause and severity of such risk, the possibility of any potential cybersecurity incident resulting from such risk, and the potential consequences of such cybersecurity incident;
- (iv) Risk assessment: Depending on the level of cybersecurity risk, we determine whether to deal with such risk, the priority of our risk management, and our risk management plan; and
- (v) Risk management: Based on the severity of the cybersecurity risk and the potential impact of such risk on our business operations, we implement mitigating measures to address such risk and evaluate the effectiveness of these measures.

We have integrated these cybersecurity risk management processes into our overall enterprise risk management system. In addition, we have in place the handling processes and management policies for cybersecurity incidents. We also engage third-party assessors, consultants and auditors in connection with our cybersecurity risk management processes when our cybersecurity management team deems necessary or appropriate. Our cybersecurity management team has the necessary resources and authority to select, retain, terminate and approve the fees and other retention terms for these third parties.

As of the date of this annual report, to our best knowledge, no risk from current or previous cybersecurity threats has materially affected or is reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

Governance

Our board of directors is responsible for the oversight of risks from cybersecurity threats, including making major decisions and overall planning with respect to cybersecurity risk management, overseeing the risk management process, reviewing the reports from the cybersecurity management team, and evaluate the effectiveness of our cybersecurity risk management program.

To support our board of directors, we have established cross-departmental working teams that manage and carry out our cybersecurity risk management.

- Our cybersecurity management leading group is responsible for monitoring and coordinating our cybersecurity risk management processes, including preparing internal policies and remediation plans with respect to cybersecurity risk assessment and management, regularly reporting the progress and results of cybersecurity risk management to our board of directors, and promptly reporting any material cybersecurity risk or incidents to our board of directors. Our cybersecurity management leading group is led by our chief executive officer and chief financial officer and consists of heads of various departments, including the head of our information security department, who are specialized or experienced in managing information security, compliance and risk management. For example, the head of our information security department, who is a key member of our cybersecurity management team, has over 20 years of experience in information security and is familiar with recent developments in technologies, laws and regulations in information security. He plays an important role in shaping our cybersecurity risk management policies, standards and processes and in our cybersecurity risk management.
- Our cybersecurity risk assessment team is responsible for the implementation of our cybersecurity risk management plans and the daily operation and maintenance of our information systems. This working team regularly monitors the prevention, detection, mitigation, and remediation of cybersecurity incidents, conducts and engages third parties to evaluate the effectiveness of our cybersecurity risk management program, and reports information about our cybersecurity risk and results of evaluations to our senior management. Our cybersecurity risk assessment team is led by the head of our information security department and consists of dedicated staff from various departments, including our information security department, in-house legal department and internal control department. Members of our cybersecurity risk assessment team generally have extensive experience in dealing with cybersecurity issues. For example, one of the key members of our cybersecurity risk assessment team has over ten years of experience in information security and is familiar with network protocols and the construction of information security system for enterprises. Another key a member of our cybersecurity risk assessment team has five years of experience in information security and is proficient in cybersecurity technologies.

Part III

ITEM 1. FINANCIAL STATEMENTS

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

ITEM 2. FINANCIAL STATEMENTS

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

ITEM 3. EXHIBITS

Exhibit Number	Description of Document
1.1	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))
2.1	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))
2.2*	Description of the Rights of Ordinary Shares and ADSs
4.1	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))
4.2	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))
4.3	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))
4.4	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))
4.5	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))
4.6	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))
4.7	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))
4.8	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)
4.9	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)
4.10	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)
4.11	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)
4.12	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)
4.13	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)

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4.14	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)
4.15	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)
4.16	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)
4.17	English translation of Letter of Undertaking on Remedial Measures for Diluting Current Returns, effective as of September 7, 2020, of Daqo 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)
4.18	English translation of Letter of Undertaking Regarding Xinjiang Daqo New Energy Co., Ltd.'s Dividend Policy, effective as of September 7, 2020, of Xinjiang Daqo 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)
4.19	English summary of the Project Investment Agreement between Xinjiang Daqo 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)
4.20	English summary of the Letter of Project Investment Intent between Xinjiang Daqo 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)
4.21	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))
8.1*	Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (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))
11.2*	Insider Trading Policy of the Registrant
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
97	Policy for the Recovery of Erroneously Awarded Compensation of the Registrant (incorporated herein by reference to Exhibit 97 of our Form 20-F filed with the Securities and Exchange Commission on April 29, 2024)
101.INS*	Inline iXBRL Instance Document
101.SCH*	Inline iXBRL Taxonomy Extension Schema Document
101.CAL*	Inline iXBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline iXBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline iXBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline 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

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/ Xiang Xu

Name: Xiang Xu

Title: Chairman and Chief Executive Officer

Date: April 29, 2025

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, 2023 and 2024, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2024, 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, 2023 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, 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, 2024, 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 29, 2025 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 Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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

Critical Audit Matter Description

The Company’s domestic polysilicon 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. We identified revenue cut-off for domestic polysilicon sales as a critical audit matter, because there exists the risk of inconsistency between the date of customer acceptance and the date of revenue recognition, and the amounts of the revenue are material which is expected to have a significant impact on investors’ decision-making. This required extensive audit effort when performing audit procedures to audit the revenue.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the cut-off of domestic 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 revenue cut-off.
- We selected samples from the sales records for both before and after year-end periods and traced the selected samples to supporting documents including shipping documents and receipt notes signed by the customers to evaluate whether the revenue was recorded in the correct period.
- We tested all the domestic polysilicon shipments occurred during the last month of the year by tracing the shipping logs to supporting documents including receipt notes signed by the customers and the sales records to evaluate whether there existed early or delayed recognition of revenue.

Long-lived assets impairment - Refer to Note 2(l) to the financial statements

Critical Audit Matter Description

As of December 31, 2024, the Company recognized a long-lived assets impairment related to certain polysilicon production facilities. The management determined the fair value of each asset group of the long-lived assets based on their present value of the future cash flows, which requires management to make significant estimates and assumptions related to revenue growth rate, estimated costs and discount rate. Changes in these assumptions could have a significant impact on either the fair value, the amount of any impairment charge, or both. We identified long-lived assets impairment as a critical audit matter, because of the significant judgments made by management to estimate the fair value of each asset group. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our valuation specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to long-lived assets impairment including the following, among others:

- We tested the effectiveness of key controls over long-lived assets impairment.
- We evaluated the qualifications of external valuation experts engaged by management, including their independence, objectivity, and professional competence.
- With the assistance of internal valuation specialists, we reviewed and assessed the appropriateness of the valuation methodologies, models, discount rate, and other key parameters used by management and external experts in the impairment testing.
- We evaluated management's future cash flow projections, including revenue growth rate, estimated costs by analyzing the asset groups' actual performance and market outlook and assessing the reasonableness of the cash flow forecasts. We verified the accuracy of impairment test calculations by reperforming the calculation.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
April 29, 2025
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, 2024, 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, 2024, 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, 2024 of the Company and our report dated April 29, 2025, 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 29, 2025

DAQO NEW ENERGY CORP.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	December 31,	
	2023	2024
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,038,827	\$ 1,006,536
Restricted cash	9,129	31,813
Notes receivable	116,358	55,153
Short-term investments	—	9,619
Prepaid expenses and other current assets	224,645	280,876
Advances to suppliers	14,314	10,401
Inventories	173,271	149,939
Fixed term deposit within one year	—	1,087,210
Amounts due from related parties— short-term portion	34	—
Total current assets	3,576,578	2,631,547
Property, plant and equipment, net	3,626,423	3,499,210
Prepaid land use rights, net	150,358	152,869
Deferred tax assets	3,422	84,596
Amounts due from related parties— long-term portion	25,033	545
Fixed term deposit over one year	27,584	27,636
Other non-current assets	17,468	21,840
TOTAL ASSETS	\$ 7,426,866	\$ 6,418,243
LIABILITIES AND EQUITY:		
Current liabilities:		
Accounts payable	92,879	26,448
Notes payable	—	6,822
Advances from customers – short-term portion	148,984	37,192
Payables for purchases of property, plant and equipment	421,024	406,743
Accrued expenses and other current liabilities	73,082	33,309
Amounts due to related parties – short-term portion	10,656	10,210
Income tax payable	89,804	511
Total current liabilities	836,429	521,235
Advances from customers – long-term portion	113,857	21,484
Deferred government subsidies	18,146	17,114
Deferred tax liabilities	10,150	544
Total liabilities	978,582	560,377

Commitments and contingencies (Note 13)

DAQO NEW ENERGY CORP.
CONSOLIDATED BALANCE SHEETS (Continued)
DECEMBER 31, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	December 31,	
	2023	2024
Shareholders' Equity:		
Ordinary shares		
\$0.0001 par value 500,000,000 shares authorized as of December 31, 2023 and 2024; 415,330,312 shares issued and 328,513,282 shares outstanding as of December 31, 2023; 421,521,162 shares issued and 333,759,632 shares outstanding as of December 31, 2024	41	42
Additional paid-in capital	2,340,084	2,408,799
Retained earnings	3,328,388	2,983,173
Accumulated other comprehensive loss	(293,997)	(413,210)
Treasury shares, at cost (86,817,030 shares as of December 31, 2023; 87,761,530 shares as of December 31, 2024)	(612,609)	(617,612)
Total Daqo New Energy Corp. shareholders' equity	4,761,907	4,361,192
Non-controlling interest	1,686,377	1,496,674
Total shareholders' equity	6,448,284	5,857,866
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 7,426,866	\$ 6,418,243

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, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	Year ended December 31,		
	2022	2023	2024
Revenues	4,608,350	2,307,695	1,029,080
Cost of revenues	(1,200,428)	(1,387,045)	(1,242,012)
Gross profit (loss)	3,407,922	920,650	(212,932)
Operating expenses:			
Selling, general and administrative expenses	(354,074)	(213,241)	(143,089)
Research and development expenses	(10,041)	(10,116)	(4,559)
Long-lived assets impairment	—	—	(175,627)
Allowance for expected credit loss	—	—	(18,072)
Other operating (expense) income, net	(3,181)	86,137	(9,813)
Total operating expenses, net	(367,296)	(137,220)	(351,160)
Income (expense) from operations	3,040,626	783,430	(564,092)
Interest income, net	14,473	52,302	30,223
Exchange gain (loss)	680	(17,367)	(2,378)
Investment income, net	1,110	109	18,186
Income (loss) before income taxes	3,056,889	818,474	(518,061)
Income tax (expense) benefit	(577,247)	(165,588)	69,907
Net income (loss)	2,479,642	652,886	(448,154)
Net income (loss) attributable to non-controlling interest	659,841	223,341	(102,939)
Net income (loss) attributable to Daqo New Energy Corp. ordinary shareholders	1,819,801	429,545	(345,215)
Net earnings (loss) per ordinary share			
Basic—ordinary shares	\$ 4.80	\$ 1.15	\$ (1.04)
Diluted—ordinary shares	\$ 4.67	\$ 1.15	\$ (1.04)
Ordinary shares used in calculating earnings per ordinary share			
Basic—ordinary shares	379,365,310	373,586,004	330,800,038
Diluted—ordinary shares	386,459,841	374,817,676	330,800,038

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

DAQO NEW ENERGY CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	Year ended December 31,		
	2022	2023	2024
Net income (loss)	\$ 2,479,642	\$ 652,886	\$ (448,154)
Other comprehensive loss:			
Foreign currency translation adjustments, net of tax of nil	(325,930)	(163,568)	(162,989)
Total other comprehensive loss	(325,930)	(163,568)	(162,989)
Comprehensive income (loss)	2,153,712	489,318	(611,143)
Comprehensive income (loss) attributable to non-controlling interest	586,711	179,284	(147,178)
Comprehensive income (loss) attributable to Daqo New Energy Corp. shareholders	<u>\$ 1,567,001</u>	<u>\$ 310,034</u>	<u>\$ (463,965)</u>

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

DAQO NEW ENERGY CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	Ordinary shares		Treasury shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interest	Total
	Number of shares	\$	Number of shares	\$					
Balance at January 1, 2022	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 loss	—	—	—	—	—	—	(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)	—	—	—	(33,762)	(124,929)
Subsidiary's dividend payment	—	—	—	—	—	—	—	(435)	(777)
Acquisition of non-controlling interests	—	—	—	—	(386)	—	44	—	—
Subsidiary's follow-on offering of its equity interests (see Note 9)	—	—	—	—	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
Net income	—	—	—	—	—	429,545	—	223,341	652,886
Other comprehensive loss	—	—	—	—	—	—	(119,511)	(44,057)	(163,568)
Share-based compensation	—	—	—	—	149,758	—	—	—	149,758
Options exercised	7,500	—	—	—	4	—	—	—	4
Restricted shares vested	9,702,020	1	—	—	(1)	—	—	—	—
Repurchase stock	(72,219,565)	—	72,219,565	(485,931)	—	—	—	—	(485,931)
Subsidiary's dividend payment	—	—	—	—	—	—	—	(303,658)	(303,658)
Repurchase of shares by subsidiary	—	—	—	—	(26,281)	—	(3)	(9,920)	(36,204)
Exercise of subsidiary's stock options (see Note 9)	—	—	—	—	5,401	—	1,549	23,441	30,391
Balance at December 31, 2023	328,513,282	41	86,817,030	(612,609)	2,340,084	3,328,388	(293,997)	1,686,377	6,448,284
Net loss	—	—	—	—	—	(345,215)	—	(102,939)	(448,154)
Other comprehensive loss	—	—	—	—	—	—	(118,750)	(44,239)	(162,989)
Share-based compensation	—	—	—	—	68,081	—	—	—	68,081
Options exercised	95,000	—	—	—	57	—	—	—	57
Restricted shares vested	6,095,850	1	—	—	(1)	—	—	—	—
Repurchase stock	(944,500)	—	944,500	(5,003)	—	—	—	—	(5,003)
Subsidiary's dividend payment	—	—	—	—	—	—	—	(35,843)	(35,843)
Repurchase of shares by subsidiary	—	—	—	—	382	—	(498)	(7,533)	(7,649)
Exercise of subsidiary's stock options (see Note 9)	—	—	—	—	196	—	35	851	1,082
Balance at December 31, 2024	333,759,632	42	87,761,530	(617,612)	2,408,799	2,983,173	(413,210)	1,496,674	5,857,866

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.

DAQO NEW ENERGY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	Year ended December 31,		
	2022	2023	2024
Operating activities:			
Net income (loss)	\$ 2,479,642	\$ 652,886	\$ (448,154)
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	307,447	141,918	71,790
Depreciation of property, plant and equipment	107,097	148,889	206,358
Prepaid land use rights	1,220	2,368	3,318
Loss on disposal of property plant and equipment	8,904	4,379	18,913
Inventory write-down	—	4,519	81,398
Fair value change of short-term investments	(1,110)	(110)	(29)
Long-lived assets impairment	—	—	175,627
Allowance for expected credit loss	—	—	18,072
Others	8,407	3,396	(7,346)
Changes in operating assets and liabilities:			
Notes receivable	(816,238)	987,481	58,861
Prepaid expenses and other current assets	(14,923)	(136,182)	(81,466)
Advances to suppliers	2,341	(13,543)	3,570
Inventories	138,258	(13,079)	(62,583)
Amounts due from related parties	(4)	(88)	60
Accounts payable	6,999	13,365	(64,826)
Accrued expenses and other current liabilities	14,241	24,874	(38,318)
Income tax payable	160,058	(126,117)	(88,119)
Advances from customers	(3,616)	(7,338)	(191,311)
Amounts due to related parties	(124)	(50)	137
Deferred government subsidies	(1,005)	(547)	(538)
Deferred taxes	65,058	(70,079)	(91,962)
Others	—	(900)	1,125
Net cash provided by (used in) operating activities	2,462,652	1,616,042	(435,423)
Investing activities:			
Purchases of property, plant and equipment	(1,205,330)	(1,110,738)	(358,828)
Purchases of land use rights	(45,188)	(76,102)	(10,091)
Proceeds from disposal of land use rights	—	3,955	—
Purchase of short-term investments	(46,192)	—	(2,082,454)
Redemption of short-term investments	298,294	13,701	2,069,285
Purchase of fixed-term deposit	—	(26,771)	(2,121,240)
Redemption of fixed term deposit	—	—	1,022,548
Net cash used in investing activities	(998,416)	(1,195,955)	(1,480,780)
Financing activities:			
Proceeds from bank borrowings	178,752	140,000	—
Repayment of bank borrowings	(178,752)	(140,000)	—
Proceeds from options exercised	995	4	57
Acquisition of minority interest of a subsidiary	(776)	—	—
Payments for repurchase of common shares	(124,929)	(485,931)	(5,003)
Proceeds from subsidiary's follow-on offering of its equity interests, net of issuance costs paid of \$9.4 million	1,630,563	—	—
Subsidiary's dividend payment	(33,762)	(303,658)	(35,843)
Payments for repurchase of shares by subsidiary	—	(36,204)	(7,649)
Proceeds from exercise of subsidiary's stock options	—	30,391	1,082
Net cash provided by (used in) financing activities	1,472,091	(795,398)	(47,356)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(139,942)	(97,084)	(46,048)
Net increase (decrease) in cash, cash equivalents and restricted cash	2,796,385	(472,395)	(2,009,607)
Cash, cash equivalents and restricted cash at the beginning of the year	723,966	3,520,351	3,047,956
Cash, cash equivalents and restricted cash at the end of the year	\$ 3,520,351	\$ 3,047,956	\$ 1,038,349

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, 2022, 2023 AND 2024
(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.

	December 31,		
	2022	2023	2024
Cash and cash equivalents	\$ 3,499,488	\$ 3,038,827	\$ 1,006,536
Restricted cash	\$ 20,863	\$ 9,129	\$ 31,813
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 3,520,351</u>	<u>\$ 3,047,956</u>	<u>\$ 1,038,349</u>

	Year ended December 31,		
	2022	2023	2024
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest	\$ 7,926	\$ 4,719	\$ —
Income taxes paid	\$ 350,583	\$ 289,529	\$ 102,496
Supplemental schedule of non-cash investing activities:			
Purchases of property, plant and equipment included in the ending balance of payables	\$ 251,127	\$ 421,024	\$ 409,472
Purchase of property, plant and equipment included in the ending balance of amounts due to related parties – short-term portion	\$ 4,082	\$ 6,492	\$ 6,028

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, 2022, 2023 AND 2024
(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. The Company was founded in 2007. The Group manufactures and sells high-purity polysilicon to photovoltaic product manufactures.

The Company’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 construction of new polysilicon projects in Inner Mongolia in China.

As of December 31, 2024, the Company’s principal subsidiaries are as follows:

Name of subsidiaries	Principal Business Activities	Date and Jurisdiction of Establishment	Equity interest attributable to the Group
Xinjiang Daqo	Manufacturing of polysilicon	February 2011	72.77 %
Inner Mongolia Daqo New Energy	Manufacturing of polysilicon	October 2021	72.77 %

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, net realizable value for inventory, useful lives and residual values of long-lived assets, valuation allowances for deferred tax assets, grant-date fair value of share-based award, credit losses of financial instruments and impairment losses of long-lived assets. 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.

DAQO NEW ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Continued)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data or otherwise stated)

(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, notes receivable, and other receivable included in the account of prepaid expenses and other current assets.

As of December 31, 2023 and 2024, 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. The Group's notes receivable mainly comprises bank acceptance notes issued by banks which management believes are of high credit ratings and no significant credit risk exists for this account.

(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.

Restricted cash are bank deposits restricted to withdrawal or use under the terms of certain contractual agreements. The Company determines current or non-current classification of restricted cash based on the expected duration of the restriction.

(f) Notes receivable

As of December 31, 2023 and 2024, notes receivable represents bank acceptance drafts that are non-interest bearing and due within three to twelve months. During the year ended December 31, 2023 and 2024, bank's acceptance notes were used to collect payments or settle payables based on an administrative convenience, given these notes are readily convertible to known amounts of cash. In accordance with the procurement agreements, whether to use 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 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.

(g) Investments

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.

Fixed term deposit products

The fixed term deposit products have original maturities longer than three months are classified as held-to-maturity investments when the Company expects to receive all the principals and has the positive intent and ability to hold them to maturity. Held-to-maturity investments are recorded at amortized cost and are classified as fixed term deposit within one year or fixed term deposit over one year according to their contractual maturity. Term deposit over one year is reclassified as term deposit within one year when their contractual maturity date is less than one year.

DAQO NEW ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Continued)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data or otherwise stated)

For held-to-maturity investments, the Company evaluates current expected credit losses (“CECL”) upon acquisition at the pool level based on available information relevant to assessing the collectability of cash flows. An expected credit loss will be recognized as an allowance through earnings if the net amount of cash flow expected to be collected is less than the amortized cost basis.

(h) Allowance for expected credit losses

The Group applies a CECL model for financial instruments measured at amortized cost, including notes receivable, amount due from related parties and other receivable. The Group estimates expected credit losses based on historical experience, the age of the receivable balances, credit quality of its borrowers, economic conditions, and other factors that may affect its ability to collect from borrowers. The allowance for credit losses was nil, nil and \$18.1 million for the years ended December 31, 2022, 2023 and 2024.

The movement of allowance for expected credit loss of other receivable for the years ended December 31, 2024 are as follows:

	Total allowance for expected credit losses
Balance at December 31, 2023	\$ —
Credit loss of other receivable	18,072
Write-offs	—
Balance at December 31, 2024	\$ 18,072

(i) 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.

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 was nil for the years ended December 31, 2022, 2023 and 2024, respectively.

DAQO NEW ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Continued)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data or otherwise stated)

(j) 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 aggregate write-down to inventories was nil, \$4.5 million and \$81.4 million for the years ended December 31, 2022, 2023 and 2024 and was recorded in the cost of revenues in the consolidated statements of operations.

(k) 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 \$1.2 million, \$2.4 million and \$3.3 million, for the years ended December 31, 2022, 2023 and 2024, respectively.

(l) Long-lived assets impairment

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 including revenue growth rate, estimated costs, and discount rate. These assumptions might be affected by expectations about future market and economic conditions.

The Group recognized impairment losses of nil, nil and \$175.6 million for the years ended December 31, 2022, 2023 and 2024. The impairment losses incurred during the year ended December 31, 2024 was related to certain polysilicon production facilities held by Xinjiang Daqo, and was triggered primarily by the significant decrease in average selling prices for polysilicon and the negative industry trends.

(m) Lease

The Group adopted ASC 842, Lease on January 1, 2019. As of December 31, 2024, the Group has lease for its third-party warehouses. 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.

DAQO NEW ENERGY CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS(Continued)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data or otherwise stated)

(n) Revenue recognition

The Group recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers.

The Group recognizes sales of polysilicon at a point in time following the transfer of control of its products to the customers according to the terms of the underlying contracts. For domestic sales, the transfer of control occurs upon delivery. For export sales, the transfer of control occurs upon completion of customs clearance or delivery of goods to the designated carrier. The Group's standalone selling prices are based on the prices charged to customers for the single performance obligation which is the sale of polysilicon. The following table presents the amounts for domestic sales and export sales:

	Year ended December 31,		
	2022	2023	2024
Domestic sales	\$ 4,608,350	\$ 2,279,756	\$ 1,013,869
Export sales	—	27,939	15,211
Total	\$ 4,608,350	\$ 2,307,695	\$ 1,029,080

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. Product returns were not material during the years ended December 31, 2022, 2023 and 2024. No warranties, incentives, or rebates arrangements has been offered to the customers.

For substantially all of the sales arrangements, the Group requires advanced payments prior to shipments. 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. The balance of advances from customers inclusive of the short-term and long-term portion was \$262.8 million and \$58.7 million as of December 31, 2023 and 2024, respectively. Revenue recognized from the beginning advances from customers balance as of January 1, 2023 and January 1, 2024 during the years ended December 31, 2023 and 2024 was \$122.0 million and \$149.0 million, respectively. The ending balance of advances from customers was \$58.7 million as of December 31, 2024, of which \$37.2 million is 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 considers these contracts contain significant financing component due to 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.

Practical Expedients and Exemptions

The Group 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 Group elects not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

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(o) 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.

(p) 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 \$15.9 million, \$14.3 million and \$11.4 million, for the years ended December 31, 2022, 2023 and 2024, respectively.

(q) 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.

(r) Government subsidies

The Group occasionally 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, 2022, 2023 and 2024 were \$3.2 million, \$85.5 million and \$3.3 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. The Group did not receive any government grants related to fixed assets for the years ended December 31, 2022, 2023 and 2024.

(s) 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.

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(t) 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, a subsidiary of the Company, 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 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.

For the years ended December 31, 2022, 2023 and 2024, the Group recognized share-based compensation cost of \$315.0 million, \$149.8 million and \$68.1 million, respectively. The following table presents the amounts recognized as expenses in the consolidated statements of operations and the amounts capitalized as part of an asset on the consolidated balance sheets:

	Year ended December 31,		
	2022	2023	2024
Selling, general and administrative expenses	\$ 299,346	\$ 121,115	\$ 72,424
Cost of revenues*	7,739	20,307	(545)
Research and development expenses	362	496	(89)
Property, plant and equipment, net *	5,383	7,840	(3,709)
Inventories	2,143	—	—
Total	\$ 314,973	\$ 149,758	\$ 68,081

* The negative amount in the share-based compensation cost is mainly attributed to the failure to meet the performance criteria for the third vesting period of the 2022 PRC Incentive Plan resulting in the reversal of previously accrued share-based compensation cost related to that specific grant.

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(u) 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. Ordinary share equivalents are excluded from the computation of the diluted earnings per share in years when their effect would be anti - dilutive. Diluted earnings per share is computed using the treasury stock method.

When the Group has an NCI in a consolidated subsidiary, the Group calculates basic and diluted EPS at the subsidiary level to determine income from continuing operations and net income attributable to the parent in the calculation of basic and diluted EPS of the consolidated group.

(v) 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 (loss) in the statement of changes in equity and comprehensive income (loss).

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, short-term investment and fixed term deposit within one year denominated in RMB amounted to \$2,829.1 million and \$2,135.2 million as of December 31, 2023 and 2024, respectively.

(w) Comprehensive income (loss)

Comprehensive income (loss) 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, 2022, 2023 and 2024, accumulated other comprehensive income (loss) was comprised entirely of foreign currency translation adjustments, net of tax.

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(x) 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, fixed term deposit within one year, fixed term deposit over one year, 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. The carrying amount of fixed term deposit over one year approximate its fair values as its interest rates are comparable to the prevailing interest rates in the market.

(y) 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.

(z) 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.

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(aa) Recently accounting pronouncements

Recently adopted accounting pronouncement

On November 27, 2023, the FASB issued ASU 2023-07, under which all public entities that are required to report segment information in accordance with Topic 280 are required to disclose significant segment expenses by reportable segment if they are regularly provided to the CODM and included in each reported measure of segment profit or loss. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable “investors to better understand an entity’s overall performance” and assess “potential future cash flows”. The amendments in ASU 2023-07 are effective for all public entities for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Group adopted this ASU for the year ended December 31, 2024. Please refer to Note 14.

Recently issued accounting pronouncements not yet adopted

On December 14, 2023, the FASB issued ASU 2023-09, which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The ASU amends ASC 740-10-50-12 to require a public business entity to disclose a reconciliation between the amount of reported income tax expense (or benefit) from continuing operations and the amount computed by multiplying the income (or loss) from continuing operations before income taxes by the applicable statutory federal (national) income tax rate of the jurisdiction (country) of domicile. If the public business entities is not domiciled in the United States, the federal (national) income tax rate in such entity’s jurisdiction (country) of domicile shall normally be used in the rate reconciliation. The amendments prohibit the use of different income tax rates for subsidiaries or segments. Further, public business entities that use an income tax rate in the rate reconciliation that is other than the U.S. income tax rate must disclose the rate used and the basis for using it. The ASU also adds ASC 740-10-50-12A, which requires entities to annually disaggregate the income tax rate reconciliation between the following eight categories by both percentages and reporting currency amounts: 1. State and local income tax, net of federal (national) income tax effect, 2. Foreign tax effects, 3. Effect of changes in tax laws or rates enacted in the current period, 4. Effect of cross-border tax laws, 5. Tax credits, 6. Changes in valuation allowances, 7. Nontaxable or nondeductible items, 8. Changes in unrecognized tax benefits. Public business entities must apply the ASU’s guidance to annual periods beginning after December 15, 2024. Early adoption is permitted. Entities may apply the amendments prospectively or may elect retrospective application. The Group does not expect the adoption of this ASU to have a significant impact on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03 Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40). The amendments in this update intend to improve the disclosures about a public business entity’s expenses and address requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, selling, general and administrative expenses, and research and development). In January 2025, the FASB issued ASU No. 2025-01, which clarifies the effective date of ASU No. 2024-03. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The Group is currently evaluating the impact from the adoption of this ASU on its consolidated financial statements.

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3. INVENTORIES

Inventories consist of the following:

	December 31,	
	2023	2024
Raw materials	\$ 112,462	\$ 15,349
Work-in-process	19,483	20,649
Finished goods	41,326	113,941
Total	\$ 173,271	\$ 149,939

Inventory write-down was nil, \$4.5 million and \$81.4 million for the years ended December 31, 2022, 2023 and 2024.

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consist of the following:

	December 31,	
	2023	2024
Buildings and plant	\$ 906,293	\$ 1,221,351
Machinery and equipment	2,020,209	2,939,696
Furniture, fixtures and equipment	124,283	159,058
Motor vehicles	3,219	3,564
Less: Accumulated depreciation	535,159	703,980
Less: Impairment of fixed assets	—	170,565
Property, plant and equipment, net	\$ 2,518,845	\$ 3,449,124
Construction in process	1,107,578	52,534
Less: Impairment of construction in process	—	2,448
Total	\$ 3,626,423	\$ 3,499,210

Depreciation expense was \$107.1 million, \$148.9 million and \$206.4 million for the years ended December 31, 2022, 2023 and 2024, respectively.

5. 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:

	December 31,	
	2023	2024
Customer F	64,973	27,201
Customer E	17,376	7,517
Customer B	43,918	7,114
Customer A	33,727	*
Others	102,847	16,844
Total	\$ 262,841	\$ 58,676
Less: Advances from customers – short-term portion	\$ 148,984	\$ 37,192
Advances from customers – long-term portion	\$ 113,857	\$ 21,484

* Represents less than 10%

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6. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

Short-term investments are measured and recorded at fair value initially and on a recurring basis in periods subsequent to their initial recognition. There was no short - term investment outstanding as of December 31, 2023.

	Fair Value Measurement As of December 31, 2024			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short-term investments				
- Structured financial products	\$ —	\$ 9,619	\$ —	\$ 9,619
Total	\$ —	\$ 9,619	\$ —	\$ 9,619

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.

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 are nil, nil and \$175.6 million impairment losses recorded on its long-lived assets for the years ended December 31, 2022, 2023 and 2024. The inputs (see Note 2 (I)) used to measure the long - lived assets impairment losses are classified as Level 3 in the fair value hierarchy due to the significance of unobservable inputs.

7. 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, 2022, 2023 and 2024, the Group recognized expenses relating to its contribution to the government sponsored defined contribution plans of \$10.0 million, \$16.4 million and \$19.3 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 each company. As of December 31, 2022, 2023 and 2024, the Group's aggregate balance of the statutory common reserves was \$171.7 million, \$171.7 million and \$172.3 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, the proceeds received from the IPO and the follow - on offering in STAR market in the form of cash dividends, loans or advances and the related restricted portion amounted to \$3,228.8 million as of December 31, 2024.

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8. 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, 2023 and 2024, Xinjiang Daqo, Inner Mongolia Daqo New Energy and Inner Mongolia Daqo Semiconductor Co., Ltd. were entitled to a preferential tax rate of 15%. Other PRC subsidiaries are subject to 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 IPO 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 three years since 2021. The Company recorded liabilities for withholding income tax based on an estimate that 40.24%, 15.50% of distributable profit from Xinjiang Daqo and its subsidiaries ("PRC listed group") for the years ended December 31, 2022 and 2023, and the remaining distributable profit will be indefinitely reinvested in the PRC. Because the PRC listed group incurred loss for the year ended December 31, 2024, there was no withholding income tax recorded.

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.

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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 2024 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 for the years ended December 31, 2022, 2023 and 2024, respectively.

Income (loss) before income taxes from the PRC was \$3,352.2 million, \$974.3 million and (\$447.1) million for the years ended December 31, 2022, 2023 and 2024, respectively. Loss before income taxes from outside the PRC was \$295.3 million, \$155.8 million and \$71.0 million for the years ended December 31, 2022, 2023 and 2024, respectively.

Income tax expense (benefit) comprise:

	Year ended December 31,		
	2022	2023	2024
Current tax expenses	\$ 500,743	\$ 157,701	\$ 13,203
Deferred tax expenses	76,504	7,887	(83,110)
Total	\$ 577,247	\$ 165,588	\$ (69,907)

The principal components of deferred income tax assets and liabilities are as follows:

	December 31,	
	2023	2024
Deferred tax assets:		
Long-lived assets depreciation	\$ 3,540	\$ 4,748
Long-lived assets impairment	—	33,818
Inventory write - down	76	11,098
Allowance for expected credit loss	—	2,670
Donation expenses	66	63
Net operating loss carried forward	2,940	38,010
Sub-total	\$ 6,622	\$ 90,407
Valuation allowance	(1,238)	(3,678)
Total deferred tax assets	\$ 5,384	\$ 86,729
Deferred tax liabilities:		
Long-lived assets depreciation	\$ (2,522)	\$ (2,133)
Difference in basis of buildings	(570)	(544)
Dividend withholding tax	(9,020)	—
Total deferred tax liabilities	\$ (12,112)	\$ (2,677)
Deferred tax assets, net	3,422	84,596
Deferred tax liabilities, net	\$ (10,150)	\$ (544)

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The changes of valuation allowance from continuing operation are as follows:

	Year ended December 31,		
	2022	2023	2024
Beginning balance	\$ 816	\$ 1,060	\$ 1,238
Addition	316	209	2,511
Foreign exchange effect	(72)	(31)	(71)
Ending Balance	\$ 1,060	\$ 1,238	\$ 3,678

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 and Inner Mongolia Daqo New Energy as of December 31, 2022, 2023 and 2024 in the amount of \$1.1 million, \$1.2 million and \$3.7 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 \$19.2 million, \$18.7 million and \$4.9 million as of December 31, 2022, 2023 and 2024, respectively.

The effective income tax rate from continuing operation is different from the expected PRC statutory rate as a result of the following items:

	Year ended December 31,		
	2022	2023	2024
PRC Enterprise Income Tax	25 %	25 %	25 %
Preferential income tax rate of subsidiaries	(10)%	(11)%	(10)%
Effect of different reversal rate	—	—	2 %
Changes in valuation allowance	—	—	(1)%
Different tax rate in other jurisdictions	1 %	5 %	(3)%
Dividend withholding tax	3 %	1 %	—
Effective tax rate	19 %	20 %	13 %

Xinjiang Daqo, Inner Mongolia Daqo New Energy and Inner Mongolia Daqo Semiconductor Co., Ltd. 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 \$300.4 million, \$92.0 million and \$50.4 million for the years of 2022, 2023 and 2024, respectively. The benefit on net income per share was \$0.77, \$0.28 and \$0.15 for the years of 2022, 2023 and 2024, respectively.

9. 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.

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In June 2022, Xinjiang Daqo completed its follow-on private offering in China. 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.

In September 2023, 7,541,500 PRC stock options (Note 10) were exercised by its employees. In 2023, Xinjiang Daqo repurchased 7,555,655 shares for a total of RMB 259.9 million under its share repurchase program.

In 2024, Xinjiang Daqo repurchased 10,293,488 shares for a total of RMB 314.8 million under its share repurchase program. In November 2024, 268,009 PRC stock options (Note 10) were exercised by its employees.

As a result of the share repurchase and exercise of stock options by employees, the non-controlling interests' ownership has changed to 27.23% as of December 31, 2024.

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,		
	2022	2023	2024
Net income (loss) attributable to Daqo New Energy Corp. shareholders	\$ 1,819,801	\$ 429,545	\$ (345,215)
Transfers from (to) the non-controlling interests:			
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 (including exercise of stock options)	878,768	5,401	196
(Decrease) increase in the Company's paid-in capital from repurchase of shares by subsidiary	—	(26,281)	382
Net transfers from (to) non-controlling interests	878,382	(20,880)	578
Change from net income attributable to Daqo New Energy Corp. shareholders and transfers from (to) non-controlling interests	2,698,183	408,665	(344,637)

10. SHARE-BASED COMPENSATION

(a) Options

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 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, 2022, 2023 and 2024.

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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.

A summary of the aggregate option activity and information regarding options outstanding as of December 31, 2024 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Options outstanding on January 1, 2024	95,567	0.59	1.08	0.59	452
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Expired	—	—	—	—	—
Exercised	95,000	0.59	—	0.58	478
Options outstanding on December 31, 2024	567	0.59	0.08	0.55	3
Options exercisable on December 31, 2024	567	0.59	0.08	0.55	3

Note: All the Company's options have been vested as of December 31, 2024.

The share-based compensation expense related to stock options were nil for the years ended December 31, 2022, 2023 and 2024, respectively. The total intrinsic value of options exercised during the years ended December 31, 2022, 2023, and 2024, was \$19.4 million, \$0.1 million, and \$0.5 million, respectively.

(b)Non-vested Restricted Share Units

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 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 2024 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
Non-vested RSUs on January 1, 2024	10,666,902	14.13
Granted	—	—
Vested	(6,095,850)	14.14
Forfeited	—	—
Non-vested RSUs on December 31, 2024	<u>4,571,052</u>	<u>14.14</u>

The share-based compensation expense related to RSUs of \$294.8 million, \$112.5 million and \$73.7 million were recognized by the Group for the years ended December 31, 2022, 2023 and 2024. The total fair value of RSUs vested during the years ended December 31, 2022, 2023, and 2024, was \$294.8 million, \$91.7 million, and \$86.2 million, respectively.

As of December 31, 2024, there was \$56.3 million in total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a weighted-average period of 0.69 year.

(c) Subsidiary's Share Incentive Plan

In September 2022, Xinjiang Daqo adopted its 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 in 2024 and information regarding those stock options outstanding as of December 31, 2024 is as follows:

	Number of 2022 PRC stock options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
2022 PRC stock options outstanding on January 1, 2024	11,946,000	4.18	1.59	3.94	564
Granted	—	—	—	—	—
Forfeited	(6,705,600)	4.18	—	3.94	—
Expired	(4,972,391)	4.07	—	3.94	—
Exercised	(268,009)	4.07	—	3.94	193
2022 PRC stock options outstanding on December 31, 2024	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
2022 PRC stock options exercisable on December 31, 2024	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The share-based compensation expense related to 2022 PRC stock options of \$20.1 million, \$37.3 million and (\$5.7) million were recognized by the Group for the years ended December 31, 2022, 2023 and 2024.

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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:

	Year Ended December 31, 2022
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	\$ 4.07

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.

11. RELATED PARTY TRANSACTIONS AND BALANCES

(a) *The relationships between the Group and major related parties are as follows:*

Name of the related parties	Relationship
Daqo Group Co., Ltd. ("Daqo Group")	Daqo Group and the Group are controlled by same group of shareholders
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
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
Nanjing Daqo Electric Institute Co., Ltd. ("Electric Institute")	An affiliated company controlled by Daqo Group
Nanjing Daqo Automation Technology Co., Ltd. ("Nanjing Daqo Automation")	An affiliated company controlled by Daqo Group
Zhenjiang Klockner-Moeller Electrical Systems Co., Ltd. ("Zhenjiang Moeller")	An affiliated company controlled by Daqo Group
Jiangsu Daqo Enclosed Busbar Systems Co., Ltd. ("Jiangsu Daqo Busbar")	An affiliated company controlled by Daqo Group

(b) *Related party balances:*

The balances due from related parties—short-term portion are as follows:

	December 31,	
	2023	2024
Amounts due from related parties-short term		
Nanjing Daqo Transformer	\$ 32	\$ —
Others	2	—
Total	\$ 34	\$ —

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The balances due from related parties– long-term portion are as follows:

	December 31,	
	2023	2024
Amounts due from related parties-long term		
Chongqing Daqo Tailai	\$ 14,696	\$ —
Jiangsu Daqo	6,500	9
Nanjing Daqo Electric	2,085	391
Zhenjiang Moeller	990	20
Zhenjiang Daqo Intelligent	62	66
Others	700	59
Total	\$ 25,033	\$ 545

The balances due to related parties – short-term portion are as follows:

	December 31,	
	2023	2024
Amounts due to related parties – short term portion		
Daqo New Material	\$ 4,044	\$ 4,069
Electric Institute	3,485	1,193
Zhenjiang Electric	2,575	42
Nanjing Daqo Transformer	265	614
Jiangsu Daqo	4	435
Nanjing Daqo Automation	—	229
Chongqing Daqo Tailai	—	3,388
Others	283	240
Total	\$ 10,656	\$ 10,210

(c) 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,		
		2022	2023	2024
Nanjing Daqo Transformer	Purchase-Fixed assets	\$ 29,874	\$ 23,760	\$ 12,130
	Purchase-Raw material	39	47	—
Chongqing Daqo Tailai	Purchase-Fixed assets	22,511	28,252	28,670
Jiangsu Daqo Busbar	Purchase-Fixed assets	—	—	671
Jiangsu Daqo	Purchase-Fixed assets	—	—	7,847
Nanjing Daqo Electric	Purchase-Fixed assets	8,209	12,526	559
	Purchase-Raw material	—	—	1,372
Zhenjiang Electric	Purchase-Fixed assets	—	1,505	20
	Purchase-Raw material	4,241	5,017	—
Zhenjiang Moeller	Purchase-Fixed assets	9,331	8,755	630
Zhenjiang Daqo Intelligent	Purchase-Fixed assets	6,271	4,991	83
Electric Institute	Purchase-Fixed assets	593	7,107	997
Nanjing Daqo Automation	Purchase-Fixed assets	—	2,210	945
Total	Purchase-Fixed assets	\$ 76,789	\$ 89,106	\$ 52,552
	Purchase-Raw material	\$ 4,280	\$ 5,064	\$ 1,372

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12. EARNINGS PER SHARE

The calculation of earnings per share is as follows:

	Year ended December 31,		
	2022	2023	2024
Numerator used in basic and diluted earnings per share:			
Net income attributable to Daqo New Energy Corp. ordinary shareholders—basic	\$ 1,819,801	\$ 429,545	\$ (345,215)
Diluted earnings from the subsidiary	(15,432)	(237)	—
Net income attributable to Daqo New Energy Corp. ordinary shareholders—diluted	\$ 1,804,369	\$ 429,308	\$ (345,215)
Denominator used in diluted earnings per share:			
Weighted average number of ordinary shares outstanding used in computing earnings per share-basic	379,365,310	373,586,004	330,800,038
Plus: Dilutive effects of share options	885,140	88,479	—
Dilutive effects of RSUs	6,209,391	1,143,193	—
Weighted average number of ordinary shares outstanding used in computing earnings per share—diluted	386,459,841	374,817,676	330,800,038
Basic earnings per share	\$ 4.80	\$ 1.15	\$ (1.04)
Diluted earnings per share	\$ 4.67	\$ 1.15	\$ (1.04)

Diluted earnings per share does not include the following instruments as their inclusion would be antidilutive:

	Year ended December 31,		
	2022	2023	2024
Non-vested Restricted-Share-Units	9,056,071	11,406,944	4,571,052
Subsidiary's Share Incentive Plan	461,041	799,366	—
Total	9,517,112	12,206,310	4,571,052

13. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

As of December 31, 2024, commitments outstanding for the purchases of property, plant and equipment approximated \$109.7 million, which will be due subsequent to receipt of the purchases.

(b) Repurchase of ordinary shares

On July 22, 2024, the Company announced a share repurchase program approved by the board of directors to repurchase up to \$100 million worth of its own issued and outstanding ordinary shares or American depositary shares (“ADSs”) representing ordinary shares in open-market purchases, in negotiated transactions off the market, in block trades or through other legally permissible means in accordance with applicable United States securities laws from July 22, 2024 to June 30, 2025. During the year ended December 31, 2024, the Company has not yet repurchased under this share repurchase program.

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(c) Xinjiang Daqo's litigation event

In April 2024, Xinjiang Daqo received a court summons relating to a contract dispute lawsuit filed against it by Xinjiang Xian'an New Materials Co., Ltd. and its affiliate, Xinjiang Dengbo New Energy Co., Ltd. The plaintiffs previously provided silicon core processing services to Xinjiang Daqo. The plaintiffs requested for termination of the business cooperation agreement with Xinjiang Daqo and for compensation from Xinjiang Daqo for their economic losses totaling RMB1,958.5 million (which was later reduced to RMB1,847.8 million), which consisted largely of alleged consequential damages of the plaintiffs.

In July 2024, the Company received the first instance court's verdict, which affirmed termination of the business cooperation agreement and ordered Xinjiang Daqo to compensate the plaintiffs for their losses and attorney fees totaling RMB3.16 million, while rejecting the plaintiffs' claims for consequential damages. The plaintiffs appealed to the second instance court. In March 2025, the Company received the second instance court's verdict, which vacated the decision of the first instance and remanded the case for a new trial.

Recently, the Company received a court summons, in which the plaintiffs further reduced the requested amount of compensation from Xinjiang Daqo to RMB742.7 million. At present, the case is under retrial. Based on the content of the case and the actual situation, the results cannot be reasonably estimated, and it is expected that it will not adversely affect the Group's daily production and operations.

14. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer, who reviews Net income (loss) to make decisions about allocating resources and assessing performance of the Group. The Group's CODM reviews and utilizes the consolidated results to manage the Group's operation as a whole and hence, the Company has only one operating and reportable segment - Polysilicon. Significant segment expenses are the same as these presented under the operating costs and expenses in the consolidated statements of operations, and the difference between net revenue less the significant segment expenses and consolidated net income are the other segment items. Although Xinjiang Daqo got listed in the PRC in 2021, considering the PRC listed group generates substantially all the revenues and possesses substantially all the assets of the Group, the Group's CODM does not change the way he reviews the consolidated results.

Substantially 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.

15. CONCENTRATION AND RISKS

The following customers individually accounted for 10% or more of revenues:

	Year ended December 31,		
	2022	2023	2024
Customer A	\$ *	\$ 524,554	\$ 221,645
Customer B	516,634	*	168,167
Customer C	*	524,274	164,356
Customer D	1,379,796	*	140,951
Customer E	529,037	439,067	*
Customer F	*	247,834	*
Customer G	614,698	*	*

* Represents less than 10%

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Total sales to the Group's large customers whose sales constitute over 10% of revenue accounted for approximately 66%, 75% and 68% of revenues for the years ended December 31, 2022, 2023 and 2024, 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 following suppliers individually accounted for 10% or more of purchases:

	Year ended December 31,		
	2022	2023	2024
Supplier A	*	13 %	25 %
Supplier B	11 %	16 %	23 %
Supplier C	34 %	30 %	22 %
Supplier D	18 %	*	*

* Represents less than 10%

The following suppliers individually accounted for 10% or more of accounts payables:

	December 31,	
	2023	2024
Supplier E	32 %	*

* Represents less than 10%

The Group's polysilicon manufacturing facilities are located in Xinjiang and Inner Mongolia 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. 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.

FINANCIAL STATEMENT SCHEDULE I
DAQO NEW ENERGY CORP.
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED BALANCE SHEETS
DECEMBER 31, 2023 AND 2024
(U.S. dollars in thousands, except share and per share data)

	December 31,	
	2023	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,841	\$ 299,576
Total current assets	218,841	299,576
Investments in subsidiaries	4,632,501	4,062,484
TOTAL ASSETS	\$ 4,851,342	\$ 4,362,060
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses and other current liabilities	\$ 89,435	\$ 868
Total current liabilities	89,435	868
Equity:		
Ordinary shares (\$0.0001 par value 500,000,000 shares authorized as of December 31, 2023 and 2024; 415,330,312 shares issued and 328,513,282 shares outstanding as of December 31, 2023; 421,521,162 shares issued and 333,759,632 shares outstanding as of December 31, 2024)	41	42
Additional paid-in capital	2,340,084	2,408,799
Retained earnings	3,328,388	2,983,173
Accumulated other comprehensive loss	(293,997)	(413,210)
Treasury shares, at cost (86,817,030 shares as of December 31, 2023; 87,761,530 shares as of December 31, 2024)	(612,609)	(617,612)
Total shareholders' equity	4,761,907	4,361,192
TOTAL LIABILITIES AND EQUITY	\$ 4,851,342	\$ 4,362,060

FINANCIAL STATEMENT SCHEDULE I
DAQO NEW ENERGY CORP.
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands)

	Year ended December 31,		
	2022	2023	2024
Operating expenses:			
General and administrative	\$ (295,431)	\$ (142,232)	\$ (78,470)
Total operating expenses	(295,431)	(142,232)	(78,470)
Loss from operations	(295,431)	(142,232)	(78,470)
Interest income, net	144	3,835	9,766
Income tax (expense) benefit	(79,945)	(9,020)	88,965
Net (loss) income before share of results of subsidiaries	(375,232)	(147,417)	20,261
Equity in earnings (losses) of subsidiaries	2,195,033	576,962	(365,476)
Net income (loss) attributable to Daqo New Energy Corp. ordinary shareholders	\$ 1,819,801	\$ 429,545	\$ (345,215)
Other comprehensive loss:			
Foreign currency translation adjustments, net of tax of nil	(252,800)	(119,511)	(118,750)
Total other comprehensive loss	(252,800)	(119,511)	(118,750)
Comprehensive income (loss)	\$ 1,567,001	\$ 310,034	\$ (463,965)

FINANCIAL STATEMENT SCHEDULE I
DAQO NEW ENERGY CORP.
FINANCIAL INFORMATION OF PARENT COMPANY
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
(U.S. dollars in thousands)

	Year ended December 31,		
	2022	2023	2024
OPERATING ACTIVITIES			
Net cash provided by operating activities	124,048	702,391	85,681
FINANCING ACTIVITIES			
Proceeds from bank borrowings	—	140,000	—
Repayment of bank borrowings	—	(140,000)	—
Proceeds from options exercised	995	4	57
Payments for repurchase of common shares	(124,929)	(485,931)	(5,003)
Net cash used in financing activities	(123,934)	(485,927)	(4,946)
NET INCREASE IN CASH AND CASH EQUIVALENTS	114	216,464	80,735
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,263	2,377	218,841
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 2,377	\$ 218,841	\$ 299,576

**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, 2023 and 2024, 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.

Description of Rights of Each Class of Securities Registered under Section 12 of the Securities Exchange Act of 1934

American Depositary Shares (“ADSs”), each representing 25 ordinary shares of DAQO NEW ENERGY CORP. (our “company”) are listed on the NYSE and the shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of ordinary shares and (ii) ADS holders. Shares underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depositary, and holders of ADSs will not be treated as holders of the ordinary shares.

Description of Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)***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 may freely hold and vote their shares. Each of our ordinary shares has a par value US\$0.0001.

Preemptive Rights

The shareholders of our company do not have preemptive right.

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.

Limitations or Qualifications

The rights of our shareholders are not materially limited or qualified.

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.

Subject to the Companies Act and our Fourth Amended and Restated Memorandum and Articles of Association, in a general meeting of the shareholders of our Company we may declare dividends but no dividends shall exceed the amount recommended by our directors. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared out of the share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act.

Our directors may also pay any dividend which is payable on any shares half-yearly or on any other dates, whenever our profits, in the opinion of the directors, justifies such payment.

Our directors may deduct from any dividend or distributions payable to any shareholder all sums of money (if any) presently payable by him to us on account of calls, installments or otherwise.

No dividend or other monies payable by us on or in respect of any share shall bear interest against us.

Subject to our Fourth Amended and Restated Memorandum and Articles of Association, with the sanction of an ordinary resolution (or, with regarding to a dividend payable in respect of a class of shares, an ordinary resolution passed at a class meeting) the directors may determine that (i) the persons entitled to participate in the dividend shall have a right of election to accept shares of our company credited as fully paid up in satisfaction of all or (if the directors so specify or permit) part of their dividend entitlement or (ii) a dividend shall be satisfied in whole or specified part by an issue of shares of our company credited as fully paid up, subject to a right of election on the part of persons entitled to participate in the dividend to receive their dividend entitlement wholly or (if the directors so permit) partly in cash. In either event, the directors may determine all questions concerning the right of election, notification thereof to shareholders, the basis and terms of issue of shares of our company and otherwise.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or draft sent by mail addressed to the holder at his address, or addressed to such person and at such addresses as the holder may direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

Subject to our Fourth Amended and Restated Memorandum and Articles of Association, with the sanction of an ordinary resolution, the directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the directors may fix the value of such specific assets, may determine that cash payment shall be made to some shareholders in lieu of specific assets and may vest any such specific assets in trustees on such terms as the directors think fit.

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.

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.

No Sinking Fund

Our ordinary shares are not subject to sinking fund provisions.

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.

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.

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.

Limitations on the Right to Own Shares

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

Anti-takeover Provisions in the Fourth Amended and Restated Memorandum and Articles of Association

Subject to the Companies Act, our company can adopt a wide range of defensive measures, such as staggered boards, blank check preferred shares, removal of directors only for cause and provisions that restrict the rights of shareholders to call meetings, act by written consent and submit shareholder proposals. Our Fourth Amended and Restated Memorandum and Articles of Association provide for, among others, blank check preferred stock.

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.

Differences in Corporate Law

The Companies Act of the Cayman Islands is modeled after that of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Except as discussed above, set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by either (a) a special resolution of the shareholders of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The plan must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary. The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement; provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, or (b) a majority in number representing 75% in value of the creditors or class of creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to majority vote have been met;
 - the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
 - the arrangement is such that a businessman would reasonably approve by an intelligent and honest man of that class acting in respect of his interest; and
-

- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition, which may facilitate the “squeeze out” of dissentient minority shareholders upon a tender offer. When a take-over offer is made and accepted by holders of 90.0% of the shares within four months, the offerer may, within a two month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction is thus approved and sanctioned, or if a tender offer is made and accepted, in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Protection of Minorities and Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, it can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of a company to challenge:

- an act which is ultra vires of the company or illegal (and is therefore incapable of ratification by the shareholders);
- an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

Preemption Rights

There are no preemption rights applicable to the issue of new ordinary shares under Cayman Islands law.

Procedures on Liquidation

A resolution that our company be wound up by the court or be wound up voluntarily is a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- if we are wound up and the assets available for distribution amongst our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess will be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them; and
- if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, such assets will be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them.

In the event that we are wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of our assets whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Fourth Amended and Restated Memorandum and Articles of Association permit indemnification of officers and directors for losses, damages, charges and expenses incurred in their capacities as such unless such losses or damages arise from willful neglect or default of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable as a matter of United States law.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Under Cayman Islands law, at common law, members of a board of directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty has four essential elements:

- a duty to act in good faith in the best interests of the company;
- a duty not to personally profit from opportunities that arise from the office of director;
- a duty to avoid conflicts of interest; and
- a duty to exercise powers for the purpose for which such powers were intended.

A director of a Cayman Islands company also owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his 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 general, the Companies Act imposes various duties on officers of a company with respect to certain matters of management and administration of the company. The Companies Act contains provisions, which impose default fines on persons who fail to satisfy those requirements. However, in many circumstances, an individual is only liable if he knowingly is guilty of the default or knowingly and willfully authorizes or permits the default.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Act allows a special resolution to be passed in writing if signed by all the shareholders and authorized by the articles of association, which ours do.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act does not provide shareholders any right to bring business before a meeting or requisition a general meeting. However, these rights may be provided in articles of association. Our Fourth Amended and Restated Memorandum and Articles of Association allow our shareholders holding not less than one-third of our paid-up voting share capital to requisition a shareholder's meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. While there is nothing under the Companies Act which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of a corporation, our Fourth Amended and Restated Memorandum and Articles of Association do not provide for cumulative voting.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Fourth Amended and Restated Memorandum and Articles of Association, directors may be removed, by way of ordinary resolution of the shareholders.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or group who or which owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

A Cayman company may enter into some business transactions with significant shareholders, including asset sales, in which a significant shareholder receives, or could receive, a financial benefit that is greater than that received, or to be received, by other shareholders with prior approval from the board of directors but without prior approval from the shareholders.

Sale of Assets

Contrary to the general practice in most corporations incorporated in the United States, the Companies Act does not require that shareholders approve sales of all or substantially all of a company’s assets.

Dissolution; Winding up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. If the dissolution is approved by the board of directors, it must be approved by a simple majority of the corporation’s outstanding shares; or if so provided in its certificate of incorporation, a supermajority of shareholders. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act of the Cayman Islands and our Fourth Amended and Restated Articles of association, our company may be dissolved, liquidated or wound up by, inter alia, prior written approval of the holders of our shares.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our Fourth Amended and Restated Memorandum and Articles of Association provide that, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a class meeting of holders of the shares of such class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation’s governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by the Companies Act, our Fourth Amended and Restated Memorandum and Articles of Association may only be amended with, inter alia, a special resolution of the Company.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by our Fourth Amended and Restated Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Fourth Amended and Restated Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

Modification of Rights

Except with respect to share capital (as described below) and the location of the registered office, alterations to our memorandum and articles of association may only be made by special resolution.

Subject to the Companies Act of the Cayman Islands, all or any of the special rights attached to shares or any class (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of our Fourth Amended and Restated Memorandum and Articles of Association relating to general meetings shall apply mutatis mutandis to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting other than an adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third of the issued shares of that class, every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Share Repurchase

We are empowered by the Companies Act and our Fourth Amended and Restated Memorandum and Articles of Association to purchase our own shares if the manner of purchase has first been authorized by the shareholders of our company by way of ordinary resolution. The shares may be repurchased out of profits of our company, out of the proceeds of a new issue of shares made for that purpose or out of capital, provided that we have the ability to pay our debts as they come due in the ordinary course of business. Our directors may only exercise this power on our behalf, subject to the Companies Act, our memorandum and articles of association and to any applicable requirements imposed from time to time by the New York Stock Exchange, the SEC, or by any other recognized stock exchange.

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 nine 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

resolution shall fail. Our board of directors may also pass resolutions without a meeting by unanimous written consent.

Alteration of Capital

We may from time to time by ordinary resolution:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our Fourth Amended and Restated Memorandum and Articles of Association, subject nevertheless to the Companies Act.

We may, by special resolution, subject to any confirmation or consent required by the Companies Act, reduce our share capital, share premium account or any capital redemption reserve in any manner authorized by law.

Description of Debt Securities, Warrants and Rights and Other Securities (Items 9.A.7, 12.A, 12.B and 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

JPMorgan Chase Bank, N.A. acts as depositary for the ADSs. Each ADS represents an ownership interest in shares deposited with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and registered holders of ADSs on the books of the depositary. Each ADS also represents any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Each ADS represents 25 ordinary shares of our company. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at 4 New York Plaza, Floor 12, New York, New York, 10004.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Island law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law. Under the deposit

agreement, as an ADR holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement or transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at <http://www.sec.gov>.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs, including instructions for giving a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

We have advised the depositary that under the Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions (or the deemed voting instructions, as set out above) received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs. There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on

shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan Chase Bank, N.A. to direct, manage and/or execute any public and/or private sale of securities hereunder. Such division, branch and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.
- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to receive additional shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
 - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
 - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. The depositary may right to utilize a division, branch or affiliate of JPMorgan Chase Bank, N.A. to direct, manage and/or execute any public and/or private sale of securities and/or conversion of foreign currency in connection with these distributions.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters,

all subject to the provisions of the deposit agreement.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of JPMorgan Chase Bank, N.A., as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as “deposited securities.”

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary’s direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder’s name. An ADR holder can request that the ADSs not be held through the depositary’s direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary’s office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders’ meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may issue ADSs prior to the receipt of shares (each such transaction a “pre-release”). The depositary may receive ADSs in lieu of shares to close out a pre-release (which ADSs will promptly be canceled by the depositary upon receipt by the depositary). Each such pre-release will be subject to a written agreement whereby the person or entity (the “applicant”) to whom ADSs are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares in its records and to hold such shares in trust for the depositary until such shares are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days’ notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to pre-released ADSs outstanding), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided as described above,

but not the earnings thereon, shall be held for the benefit of the registered holders of ADSs (other than the applicant).

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions not made to holders of ADSs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- (1) amend the form of ADR;
- (2) distribute additional or amended ADRs;
- (3) distribute cash, securities or other property it has received in connection with such actions;
- (4) sell any securities or property received and distribute the proceeds as cash; or
- (5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Appointment

In the deposit agreement, each registered holder of ADSs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs; and
- appoint the depositary as its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, any action based on the deposit agreement or the transactions contemplated thereby may be instituted by the depositary and

holders in any competent court in the Cayman Islands, Hong Kong, the People's Republic of China and/or the United States or through the commencement of an English language arbitration either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADSs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADSs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After the date so fixed for termination, (a) all Direct Registration ADRs shall cease to be eligible for the Direct Registration System and shall be considered ADRs issued on the ADR Register and (b) the depositary shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a registered holder of ADRs. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a registered holder of ADRs, the depositary shall (a) instruct its custodian to deliver all shares to us along with a general stock power that refers to the names set forth on the ADR Register and (b) provide us with a copy of the ADR Register. Upon receipt of such shares and the ADR Register, we have agreed to use our best efforts to issue to each registered holder a Share certificate representing the Shares represented by the ADSs reflected on the ADR Register in such registered holder's name and to deliver such Share certificate to the registered holder at the address set forth on the ADR Register. After providing such instruction to the custodian and delivering a copy of the ADR Register to us, the depositary and its agents will perform no further acts under the Deposit Agreement and the ADRs and shall cease to have any obligations under the Deposit Agreement and/or the ADRs.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADSs, which register shall include the depositary's direct registration system. Registered holders of ADSs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADSs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADSs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADS register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdrawal shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADSs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents, provided, however, that no such disclaimer of liability under the Securities Act of 1933 is intended by any provision of the limitations of liabilities provisions of the deposit agreement. In the deposit agreement it provides that neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
 - it exercises or fails to exercise discretion under the deposit agreement or the ADR;
 - it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;
 - it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADSs, or any other person believed by it to be competent to give such advice or information; or
-

- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADSs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADSs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADSs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that the custodian has been determined by a final non-appealable judgment of a court of competent jurisdiction to have (i) committed fraud or willful misconduct in the provision of custodial services to the depositary or (ii) failed to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depositary and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADSs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADSs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADSs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or the company directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary may own and deal in any class of our securities and in ADSs.

List of Subsidiaries

Subsidiaries	Jurisdiction of Incorporation:
Chongqing Daqo New Energy Co., Ltd.	People's Republic of China
Xinjiang Daqo New Energy Co., Ltd.	People's Republic of China
Xinjiang Daqo Investment Co., Ltd.	People's Republic of China
Daqo New Energy (Hong Kong) Co., Limited	Hong Kong Special Administrative Region of the People's Republic of China
Inner Mongolia Daqo New Energy Co., Ltd.	People's Republic of China
Inner Mongolia Daqo New Material Co., Ltd.	People's Republic of China
Shanghai Quanrilang New Energy Co., Ltd.	People's Republic of China
Inner Mongolia Daqo Semiconductor Co., Ltd.	People's Republic of China
Jiangsu Lilang New Energy Co., Ltd.	People's Republic of China



DAQO ENERGY CORP.

INSIDER TRADING POLICY

Dated as of March 14, 2025

U.S. federal, state and foreign securities laws prohibit trading in the equity or debt securities of a company while in possession of material non-public information about the company. In order to take an active role in promoting compliance with such laws, and preventing insider trading violations by its officers, directors, employees and certain others, Daqo New Energy Corp. (the “Company”) has adopted the policies and procedures described in this memorandum (the “Policy”).

I. Applicability of Policy

This Policy applies to all transactions in the Company’s securities, including American Depositary Shares (“ADSs”), ordinary shares, options for ordinary shares, restricted shares, restricted share units, debt securities and any other securities the Company may issue from time to time, such as preferred shares, warrants and convertible debentures, as well as to derivative securities relating to the Company’s securities, including securities exchangeable into the Company’s securities, whether or not issued by the Company, such as exchange-traded options (collectively, “Company Securities”). Its prohibitions apply to actions taken by all officers, directors, employees, temporary employees, independent consultants and contractors of the Company and its subsidiaries (together, the “Company Persons” and each a “Company Person”).

Portions of this Policy impose additional obligations on certain Company Persons that have, or are likely to have, regular or special access to material non-public information in the normal course of their duties (“Insiders”). The Company has determined that the persons identified on Attachment A are Insiders for the purposes of this Policy. The Internal Control Manager, in consultation with the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), as necessary, shall maintain the list of Insiders, including by removing or adding persons to the list as necessary.

The restrictions and prohibitions in this Policy on actions by Company Persons also apply to actions by the spouses, minor children and adult members of the households of Company Persons, and any entities that Company Persons directly or indirectly influence or control (collectively, “related persons”). All Company Persons are responsible for ensuring that such related persons do not engage in the activities restricted or prohibited under this Policy.

Securities laws, including prohibitions on insider trading, apply when the Company transacts in its own securities. The Company’s policy is to comply with applicable law, including the prohibition under Rule 10b-5 and applicable case law against trading while in possession of material non-public information. In furtherance of this policy, the Company (i) requires that all Company transactions in Company Securities be authorized by the board of directors, and (ii) has established and shall maintain procedures reasonably designed to confirm the Company is not in possession of material non-public information at the time of any such transaction and at the time the Company enters into or modifies a Rule 10b5-1 plan.

This Policy (and/or a summary thereof) shall be delivered to all new Company Persons upon the commencement of their relationships with the Company or its subsidiaries and is to be circulated to all Company Persons at least annually.

II. Statement of Policy

General Prohibition Against Insider Trading

No Trading or Tipping on Material Non-Public Information

No Company Person may, while in possession of material non-public information about the Company:

- buy, sell or otherwise engage in any transactions, directly or indirectly, in any Company Securities, except as described in this Policy;
- make recommendations or express opinions about trading in Company Securities on the basis of such information;
- disclose such information to any third party, including family or household members; or
- assist anyone in the above activities.

The above restrictions also apply to transacting in the securities of another company while in possession of material non-public information relating to such other company, when that information is obtained in the course of employment with, or other services performed on behalf of, the Company or any subsidiary of the Company.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are not excepted from these restrictions. The securities laws do not recognize mitigating circumstances and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

"Material Non-Public Information"

Material Information. It is not possible to define all categories of material information, as the ultimate determination of materiality by enforcement authorities will be based on an assessment of all of the facts and circumstances. Information that is material at one point in time may cease to be material at another point in time, and vice versa.

In general, information is considered "material" if there is a reasonable likelihood that it would be considered important to an investor in making a decision to buy, hold or sell securities. Any information that could be expected to affect a company's share price, whether positive or negative, and whether the change is large or small, may be considered material.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include:

- Financial results;
- Projections of future revenues, earnings or losses;
- Timing of a new product or service or technology introductions;
- News of a pending or proposed merger;
- News of the disposition or acquisition of significant assets or a subsidiary;

- Material impairments, write-offs or restructurings;
- Creation of a material direct or contingent financial obligation;
- Impending bankruptcy or financial liquidity problems;
- Significant cybersecurity incidents;
- The gain or loss of a substantial customer or supplier;
- Changes in dividend policy;
- New product announcements of a significant nature;
- Significant product or service defects or modifications;
- Significant pricing changes;
- ADS/share ratio change;
- share split or reverse share split;
- New equity or debt offerings;
- Significant litigation or regulatory exposure due to actual or threatened litigation, investigation or enforcement activity, or significant developments related thereto;
- Changes in senior management or directors;
- Entry into material agreements not in the ordinary course of business (or amendment or termination thereof); and
- Termination or reduction of business relationship with a customer that provides material revenue to the Company.

The Internal Control Manager, in consultation as appropriate with the CEO, the CFO or other members of senior management of the Company, has the authority to determine whether any information constitutes material non-public information.

Non-Public Information. Information is not considered public until it has been disclosed broadly to the marketplace (for example, included in a press release or a filing with the Securities and Exchange Commission (the “SEC”)) and the investing public has had time to absorb the information fully. Information will be considered to be fully absorbed forty-eight (48) hours after public disclosure of the information by the Company, which forty-eight (48) hours shall include in all events at least one full trading day on the New York Stock Exchange (the “NYSE”) following such public disclosure. The term “trading day” is defined as a day on which the NYSE is open for trading. Except for public holidays in the U.S., the NYSE’s regular trading hours are from 9:30 a.m. to 4:00 p.m., U.S. Eastern Time, Monday through Friday.

Special Restrictions and Prohibitions

The following transactions present heightened legal risk and/or the appearance of improper or inappropriate conduct on the part of Company Persons, and are restricted or prohibited as follows. The restrictions and prohibitions apply *even if* the relevant Company Person is not in possession of material non-public information.

Short Sales

Short sales of a security (*i.e.*, the sale of a security that the seller does not own) by their nature reflect an expectation that the value of the security will decline. Short sales can create perverse incentives for the seller, and signal to the market a lack of confidence in the Company's prospects. Accordingly, no Company Person may engage in a short sale of Company Securities.

Publicly Traded Options

A put is an option to sell a security at a specific price before a set date, and a call is an option or right to buy a security at a specific price before a set date. Generally, put options are purchased when a person believes the value of a security will fall, and call options are purchased when a person believes the value of a security will rise. A transaction in options is, in effect, a bet on the short-term movement of the Company's securities, and therefore creates the appearance of trading on the basis of material non-public information. Transactions in options may also focus a Company Person's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly no Company Person may engage in a put, call or other derivative security transaction relating to Company Securities on an exchange or in any other organized market.

Hedging Transactions

Certain forms of hedging or monetization transactions, including zero-cost collars, equity swaps, exchange funds and forward sale contracts, allow a shareholder to lock in much of the value of his or her shareholding, often in exchange for all or part of the potential for upside appreciation in the shares. These transactions allow the shareholder to continue to own the covered securities, but without the full risks and rewards of ownership. Because participating in these transactions may cause a Company Person to no longer have the same objectives as the Company's other stockholders, no Company Person may engage in such transactions.

Margin Accounts and Pledges

Securities held in margin accounts for collateral as a margined loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. A margin sale or foreclosure sale that occurs at a time when the pledgor is aware of material non-public information or otherwise is not permitted to trade in Company Securities would fall under the restrictions in this Policy on trading during such times. Therefore, Company Persons are generally prohibited from margining Company Securities or pledging Company Securities as collateral for a loan. An exception to this prohibition may be granted where a person wishes to pledge Company Securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Any person who wishes to pledge Company Securities as collateral for a loan must pre-clear the proposed transaction with the Internal Control Office by submitting a request at least two weeks prior to the proposed execution of documents evidencing the proposed pledge, and must provide evidence demonstrating the financial capacity to repay the loan without resort to the pledged securities.

Blackout Periods

The Company has established quarterly blackout periods, and may impose additional, special blackout periods, each as described below.

Quarterly Blackout Periods. Quarterly blackout periods start from the end of a fiscal quarter and end at the close of business on the second trading day following the date of the Company's release to the public of its earnings for the fiscal quarter or fiscal year. Company Persons may not conduct any transactions in Company Securities during quarterly blackout periods.

Special Blackout Periods. From time to time the Internal Control Manager may impose special blackout periods, during which Insiders and other affected persons will be prohibited from engaging in transactions in Company Securities. In the event of a special blackout period, the Internal Control Office will notify Insiders and other affected persons, who will be prohibited from engaging in any transaction involving the Company's securities until further written notice. The imposition of a special blackout period is itself confidential information, and the fact that it has been imposed may not be disclosed to others.

Modification of a Blackout Period. The Internal Control Manager may shorten, suspend, terminate or extend any blackout period at such time and for such duration as he or she deems appropriate given the relevant circumstances. Any persons affected by such a modification will be appropriately notified.

Certain Exceptions

The following routine transactions, within the limits described, are generally not subject to the restrictions on trading in this Policy. The Company reserves, though, the right to prohibit any such transaction as it, in its sole discretion, deems necessary.

Share Option Exercises

This Policy does not apply to the exercise of any employee share options, whereby a Company Person pays out-of-pocket to exercise and hold the shares, or to the "net exercise" of a tax withholding right pursuant to which a Company Person elects to have the Company withhold shares subject to an option to satisfy tax-withholding requirements. This Policy does apply, however, to any sale of shares as part of a broker-assisted cashless exercise of an option or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Restricted Shares and Restricted Share Unit Awards

This Policy does not apply to the vesting and settlement of restricted shares and restricted share units, or the withholding or sale of shares back to the Company to satisfy tax withholding obligations upon the vesting of any restricted shares or restricted share units. The Policy does apply, however, to any market sale of shares after vesting.

Additional Procedures and Guidelines

Transactions under Rule 10b5-1 Plans

Implementation of a trading plan under Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), allows a person to place a standing order with a broker to purchase or sell Company Securities, so long as the plan specifies the dates, prices and amounts of the planned trades or establishes a formula for those purposes. Trades executed pursuant to a Rule 10b5-1 plan that meets the requirements listed below may generally be executed even though the person who established the plan may be in possession of material non-public information at the time of the trade. Any other trading plans that are not implemented under Rule 10b5-1, that do not have the protections of Rule 10b5-1, are referred to as non-Rule 10b5-1 plans.

A Rule 10b5-1 plan may only be established when a person is not in possession of material non-public information and when a blackout period is not in effect. Anyone subject to this Policy who wishes to enter into a Rule 10b5-1 plan must submit the Rule 10b5-1 plan to the Internal Control Office for prior, written approval. Subsequent termination or modifications to any Rule 10b5-1 plan must also be pre-approved by the Internal Control Office.

Whether or not pre-approval will be granted will depend on all the facts and circumstances at the time, but the following guidelines should be kept in mind:

- The Rule 10b5-1 plan must be in writing and entered into only when a blackout period is not in effect and when the Company Person is not in possession of material non-public information;
- The Rule 10b5-1 plan must be adopted in good faith and not as part of a plan or scheme to evade the anti-fraud rules under the federal securities laws, and the Company Person must at all times act in good faith with respect to the Rule 10b5-1 plan;
- Any person adopting the Rule 10b5-1 plan who serves as a director or Section 16 officer (an officer who is subject to the reporting and liability provisions of Section 16 of the Exchange Act, including the Company’s executive officers and its principal accounting officer or controller) of the Company must certify in writing, in the terms of the Rule 10b5-1 plan agreement, that, at the time of the adoption of a 10b5-1 plan (whether a new plan or due to a Termination Modification, as defined below): (1) they are not aware of material nonpublic information about the Company or the Company’s securities; and (2) they are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5;
- Any modification to the amount, price or timing of the purchase or sale of securities under the Rule 10b5-1 plan, as well as any change to an algorithm or computer program affecting such factors shall be deemed to be a termination of the current Rule 10b5-1 plan and the adoption of a new Rule 10b5-1 plan for purposes of restarting the Cooling-Off Period (as defined below) (any such modification, a “Termination Modification”);
- The first trade made following adoption or Termination Modification of a Rule 10b5-1 plan of a Section 16 officer or director of the Company may take place no sooner than the later of (i) 90 calendar days from adoption or modification and (ii) the second business day after the Company announces its financial results in a Form 20-F or Form 6-K for the quarter in which the Rule 10b5-1 plan is adopted or amended by a Termination

Modification (but in any event, not to exceed 120 days following the Rule 10b5-1 plan's adoption or any Termination Modification of such Rule 10b5-1 plan) (the "Cooling-Off Period"). For Company Persons other than Section 16 officers and directors of the Company, the Cooling-Off Period must be at least 30 calendar days from adoption or modification;

- Except as permitted by the Internal Control Manager, a Company Person may not have more than one Rule 10b5-1 plan in effect at any given time, and no transactions may be effected outside the Rule 10b5-1 plan;
- If a Rule 10b5-1 plan is meant to effect a single transaction, a Company Person may not have had another single-trade plan (10b5-1 or otherwise) during the prior 12-month period;
- The Rule 10b5-1 plan must permit its termination by the Company at any time when the Company believes that trading pursuant to its terms may not lawfully occur;
- The Rule 10b5-1 plan should, in the absence of special circumstances, be for a period of not less than one year;
- The Rule 10b5-1 plan should provide for relatively simple pricing parameters (e.g., limit orders), rather than complex formulae for determining when trading under the Rule 10b5-1 plan may occur and at what price;
- There may generally not be a termination or Termination Modification of a Rule 10b5-1 plan once it is executed to avoid calling into question the original "bona fides" of the Rule 10b5-1 plan; any Termination Modification must be made only during a non-blackout period when the person is not in possession of material non-public information and transactions under the amended Rule 10b5-1 plan may not commence until the Cooling-Off Period, beginning at the execution of the Termination Modification, has elapsed;
- Rule 10b5-1 plans do not obviate the need to file Form 144 and the fact that a reported transaction was made or is to be made pursuant to a Rule 10b5-1 plan should be noted on the applicable Form; and
- A copy of the executed version of any pre-cleared trading plan, both Rule 10b5-1 plans and non-Rule 10b5-1 plans, or any pre-cleared amendment to or modification or termination of a trading plan must be provided to the Internal Control Office for retention in accordance with the Company's Record Retention Policy.

Pre-Clearance

Insiders must obtain written pre-clearance from the Internal Control Office before transacting in Company Securities, including for transactions occurring outside a blackout period, any entry into or termination of a Rule 10b5-1 plan or any other non-Rule 10b5-1 plan, any exercise of director or employee stock options and any gifts of Company Securities. A form for such purposes is provided as Attachment B. A request for pre-clearance should be submitted at least two days in advance of the proposed transaction. The Internal Control Office is under no obligation to approve any trade. Pre-clearance of any transaction is valid only for a 48-hour period. If the transaction order is not placed within that period, pre-clearance must be requested and approved in writing again. Requesting persons must treat denials of pre-clearance requests as confidential.

Confidentiality of All Non-Public Information

Company Persons must maintain the confidentiality of the Company's non-public information. In the event a Company Person receives any inquiry or request for information (particularly financial results and/or projections, and including to affirm or deny information about the Company), from any person or entity outside the Company, such as a stock analyst, and it is not part of such Company Person's regular corporate duties to respond to such inquiry or request, the inquiry should be referred to Investor Relations, which will determine whether such inquiry should also be forwarded to the Internal Control Office.

Individual Responsibility

All Company Persons have the individual responsibility to comply with this Policy. A Company Person may, from time to time, have to forgo a proposed transaction in Company Securities even if he or she planned to make the transaction before learning of the material non-public information. While the Internal Control Office can and should be consulted regarding the application of this Policy, including the appropriateness of engaging in a particular transaction at a particular time, the responsibility for adhering to this Policy and avoiding unlawful transactions, and ensuring that related persons (as described above) do the same, rests with each Company Person.

Post-Termination Transactions

This Policy applies even after termination of employment or service with the Company. If a Company Person is in possession of material non-public information when his or her employment or service terminates, that person may not trade in Company Securities (or another company's securities, as described in this Policy) until such information has become public or is no longer material.

III. Potential Criminal and Civil Liability and/or Disciplinary Action

Criminal and Civil Liability

Pursuant to U.S. federal, state and foreign securities laws, persons engaging in transactions in a company's securities at a time when they have material non-public information regarding the company, or that disclose material non-public information or make recommendations or express opinions on the basis of material non-public information to a person who engages in transactions in that company's securities ("tipping"), may be subject to significant monetary fines and imprisonment. The Company and its supervisory personnel also face potential civil and criminal liability if they fail to take appropriate steps to prevent illegal insider trading.

The SEC has imposed large penalties even when the disclosing person did not profit from the trading; there is no minimum amount of profit required for prosecution.

Possible Disciplinary Action

Company Persons who violate this Policy will be subject to disciplinary action by the Company, which may include ineligibility for future participation in the Company's equity incentive plans or termination of employment.

IV. Monitoring Compliance

The Internal Control Office will monitor compliance with this Policy and the Internal Control Manager will periodically review this Policy with the Audit Committee of the Board of Directors. In addition to the other duties of the Internal Control Office under this Policy, the Internal Control Office will be responsible for the following:

- Pre-clearing all transactions involving Company Securities by Insiders in order to determine compliance with this Policy, insider trading laws and Rule 144 promulgated under the Securities Act of 1933, as amended;
- Sending quarterly and other reminders to Company Persons regarding the start and completion of the blackout periods;
- Sending notifications to Insiders and other affected persons regarding special blackout periods;
- Performance of periodic cross-checks of available materials, which may include Form 144, officers' and directors' questionnaires, and reports received from the Company's stock administrator and transfer agent, to determine trading activity by Insiders;
- Periodically circulating this Policy (and/or a summary thereof) and coordinating training about this Policy to Company Persons;
- Promptly circulating this Policy and coordinating training to all persons who become Company Persons; and
- Assisting the Company in implementing this Policy, including monitoring relevant changes in law, regulation or best practices and making appropriate changes to this Policy and related practices and procedures.

The Internal Control Manager has ultimate responsibility for all matters pertaining to the interpretation and enforcement of this Policy.

VI. Inquiries

Any person who has a question about this Policy or its application to any proposed transaction may obtain additional guidance from the Internal Control Office. If there is any uncertainty as to the appropriateness of any such communications, please consult with the Internal Control Office before speaking with anyone, especially brokers or any other persons or entities contemplating or executing securities trades. Ultimately, however, the responsibility for adhering to this Policy and avoiding unlawful Transactions rests with the individual employee or other applicable individual.

VII. Acknowledgement

All Company Persons must confirm their understanding of, and intent to comply with, this Policy by completing the certification attached hereto as Annex 1, and returning the certification to the Internal Control Office.

ATTACHMENT A

INSIDERS

Xiang Xu
Xiaoyu Xu
Guangfu Xu
Dafeng Shi
Fei Ge
Lap Tat Arthur Wong
Rongling Chen
Shuming Zhao
Minsong Liang
Fumin Zhuo
Guoqing Chen
Ming Yang
Wengang Zhu
Yicheng Sun
Wei Shi
Haibing Ren
Yong Hu
Yuanxin Chen
Yingjie Zhao
Chengjie Yang
Liwen Duan
Heng Li
Wenyi Xia

ATTACHMENT B

FORM OF TRADING CLEARANCE APPLICATION

Name: _____
Title: _____
Proposed Transaction Date: _____
Type of Security to be Traded: _____
Type of Transaction (Hedge / Pledge/ Purchase / Sale / Entry into 10b5-1 Plan or other non-Rule 10b5-1 plan (if plan, please attach) / Gift): _____
Number of Shares Involved (if applicable): _____

CERTIFICATION

I hereby certify that I am not in possession of any material non-public information about the Company and / or its subsidiaries. I understand that material non-public information is information concerning the Company that (a) is not generally known to the public; and (b) if publicly known, would be likely to affect either the market price of Company Securities or a person's decision to buy, sell or hold Company Securities. If entering into a Rule 10b5-1 Plan or other non-Rule 10b5-1 plan, I am adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5. I understand that if I trade while in possession of material non-public information, I may be subject to severe civil or criminal penalties, and may be subject to discipline by the Company up to and including termination for cause.

Name:
Date:

REVIEW AND DECISION

The undersigned has reviewed the foregoing application and approves / prohibits (circle one) the proposed trade(s).

Name:
Title:

Internal Control Office
Date:

ACKNOWLEDGEMENT

The undersigned hereby acknowledges that he/she has read and understands, and agrees to comply with, the Company's Insider Trading Policy.

Name Printed: _____

Date: _____

Annex 1

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xiang Xu, certify that:

1. I have reviewed this annual report on Form 20-F of Daqo New Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the Audit Committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2025

By: /s/ Xiang Xu
Name: Xiang Xu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ming Yang, certify that:

1. I have reviewed this annual report on Form 20-F of Daqo New Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the Audit Committee of the company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2025

By: /s/ Ming Yang

Name: Ming Yang

Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Daqo New Energy Corp. (the “Company”) on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Xiang Xu, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2025

By: /s/ Xiang Xu
Name: Xiang Xu
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Daqo New Energy Corp. (the “Company”) on Form 20-F for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ming Yang, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2025

By: /s/ Ming Yang

Name: Ming Yang

Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-172234, 333-205547, 333-224865 and 333-266578 on Form S-8 of our reports dated April 29, 2025, relating to the consolidated financial statements of Daqo New Energy Corp (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 20-F for the year ended December 31, 2024.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

April 29, 2025
