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DONGGUANG CHEMICAL LIMITED

東光化工有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1702)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

The board (the “**Board**”) of directors (“**Directors**”) of Dongguang Chemical Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2025 (the “**Reporting Period**”). The relevant financial figures for the corresponding period or dates in 2024 are also set out in this announcement for comparative purposes.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2025

		Year ended 31 December	
		2025	2024
	<i>Note</i>	RMB'000	RMB'000
Revenue	4	2,383,719	2,575,397
Cost of sales		<u>(2,183,891)</u>	<u>(2,403,350)</u>
Gross profit		199,828	172,047
Other income	4	30,895	36,333
Other gains and losses, net	5	20,478	(813)
Administrative expenses		(60,777)	(77,584)
Distribution expenses		(7,980)	(4,969)
Finance costs	7	<u>(1,923)</u>	<u>(1,989)</u>
Profit before income tax	8	180,521	123,025
Income tax expenses	9	<u>(39,444)</u>	<u>(36,612)</u>
Profit for the year		141,077	86,413
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operation		<u>(2,888)</u>	<u>6,552</u>
Total comprehensive income for the year attributable to owners of the Company		<u>138,189</u>	<u>92,965</u>
Profit attributable to:			
– Owners of the Company		140,023	84,605
– Non-controlling interest		<u>1,054</u>	<u>1,808</u>
		<u>141,077</u>	<u>86,413</u>
Total comprehensive income attributable to:			
– Owners of the Company		137,135	91,157
– Non-controlling interest		<u>1,054</u>	<u>1,808</u>
		<u>138,189</u>	<u>92,965</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted	11	<u>22.6</u>	<u>13.6</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		As at 31 December	
		2025	2024
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	12	1,044,529	843,445
Investment property		5,986	6,571
Right-of-use assets		150,200	148,868
Unlisted equity investment at fair value through other comprehensive income		40	40
Prepayments for equipment	15	22,050	35,043
Deferred tax assets		5,571	1,766
		<u>1,228,376</u>	<u>1,035,733</u>
Total non-current assets			
Current assets			
Inventories	13	97,696	85,869
Trade and bills receivables	14	20,752	5,636
Prepayments, deposits and other receivables	15	186,708	179,936
Income tax receivables		–	8,615
Cash and bank balances		577,675	702,097
Restricted cash		101,107	–
		<u>983,938</u>	<u>982,153</u>
Assets classified as held for sale		5,126	5,126
		<u>989,064</u>	<u>987,279</u>
Total current assets			

		As at 31 December	
		2025	2024
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Current liabilities			
Trade and notes payable	<i>16</i>	97,257	32,738
Deferred revenue		1,937	1,947
Contract liabilities		63,881	55,911
Other payables and accruals	<i>17</i>	65,335	82,845
Financial liabilities at fair value through profit or loss		1,193	1,077
Lease liabilities		81	88
Income tax payable		3,341	–
Amount due to a non-controlling shareholder of a subsidiary		40	40
Total current liabilities		233,065	174,646
Net current assets		755,999	812,633
Non-current liabilities			
Lease liabilities		28,090	28,051
Deferred revenue		22,338	9,275
Deferred tax liabilities		5	9
Total non-current liabilities		50,433	37,335
Net assets		1,933,942	1,811,031
Capital and reserves attributable to owners of the Company			
Share capital	<i>18</i>	392	392
Reserves		1,920,398	1,804,081
Equity attributable to owners of the Company		1,920,790	1,804,473
Non-controlling interests		13,152	6,558
Total equity		1,933,942	1,811,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Dongguang Chemical Limited (the “**Company**”) was incorporated in the Cayman Islands on 26 July 2013 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on the Stock Exchange of Hong Kong Limited on 11 July 2017. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in manufacturing and selling urea in the People’s Republic of China (the “**PRC**”).

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations (hereinafter collectively referred to as the “**IFRS Accounting Standards**”) issued by the International Accounting Standard Board (“**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited including the disclosure provisions of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except for unlisted equity investment at fair value through other comprehensive income which is measured at fair value as explained in the accounting policies.

3. ADOPTION OF IFRS ACCOUNTING STANDARDS

(a) Adoption of Amendment to IFRS Accounting Standards

IASB has issued the following amendment to IFRS Accounting Standards, that are first effective for the current accounting period of the Group:

- Amendment to IAS 21, Lack of Exchangeability
- Amendments to illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37, Disclosures about Uncertainties in the Financial Statements

The application of the amended IFRS Accounting Standards has no material impact on the Group's results and financial position for the current or prior period.

(b) New and amendment to IFRS Accounting Standards that have been issued but are not yet effective

The following new and amendments to IFRS Accounting Standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

- Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments¹
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³
- Amendments to IAS 21, Translation to a Hyperinflationary Presentation Currency²
- Amendments to IFRS Accounting Standards, Annual Improvements to IFRS Accounting Standards - Volume 11¹
- IFRS 18, Presentation and Disclosure in Financial Statements²
- IFRS 19, Subsidiaries Without Public Accountability: Disclosures²

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

³ Effective for annual periods beginning on or after a date to be determined

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold by the Group, after deducting relevant taxes. In the following table, revenue is disaggregated by primary geographical market (base on delivery destinations), major products and timing of revenue recognition:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Revenue		
Primary geographical market		
– PRC	2,337,280	2,575,397
– Others	46,439	–
	<u>2,383,719</u>	<u>2,575,397</u>
Major products		
– Sales of urea	2,057,208	2,247,802
– Sales of vehicle urea solution	133,374	111,433
– Sales of methanol	133,209	129,434
– Sales of liquid ammonia	–	3,266
– Sales of carbon dioxide	24,198	23,272
– Sales of LNG	31,138	30,345
– Sales of compound fertiliser	4,592	29,845
	<u>2,383,719</u>	<u>2,575,397</u>
Total revenue from contracts with customers	<u>2,383,719</u>	<u>2,575,397</u>
Timing of revenue recognition		
– At a point in time	<u>2,383,719</u>	<u>2,575,397</u>
Other income is presented as follows:		
Government grants (<i>note (i)</i>)	1,947	1,949
Bank interest income	7,162	13,225
Gain on financial assets at fair value through profit or loss (<i>note (ii)</i>)	21,391	1,680
Fair value loss on financial liabilities at fair value through profit or loss	(299)	(549)
Write-off of trade payables	64	18,985
Others	630	1,043
	<u>30,895</u>	<u>36,333</u>

Note:

- (i) Government grants are received from the local government and relate to qualified long-lived assets. Such grants were deferred and released to profit or loss as other income over the expected useful life of the relevant assets.
- (ii) Gain on financial assets at fair value through profit or loss represented investment gain from trading of urea futures contracts during the year ended 31 December 2025 and 2024.

5. OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange gains/(losses)	11,479	(7,604)
Net gain on sales of scrap materials	8,999	6,791
	<u>20,478</u>	<u>(813)</u>

6. SEGMENT INFORMATION

Operating segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is manufacturing and selling urea. The Group's assets and capital expenditure are principally attributable to this business component.

7. FINANCE COSTS

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense in relation to:		
Lease liabilities	<u>1,923</u>	<u>1,989</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	1,810	1,714
Cost of inventories sold recognised as expense	2,183,891	2,403,350
Depreciation of property, plant and equipment	138,189	131,376
Depreciation of investment property	585	584
Amortisation of right-of-use assets	3,547	3,698
Short-term lease payments	259	252
Impairment loss on other receivables	–	24,632
Employee benefit expenses (including directors' remuneration)		
– Wages and salaries	72,004	73,850
– Discretionary bonuses	50,694	46,342
– Retirement benefit scheme contributions	15,757	15,001
– Staff welfare and other benefits	20,773	24,154
	<u>159,228</u>	<u>159,347</u>

9. INCOME TAX EXPENSES

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC		
Current tax	40,173	42,090
Withholding tax on dividends	3,080	5,800
Deferred tax		
– Credited for the year	<u>(3,809)</u>	<u>(11,278)</u>
	<u>39,444</u>	<u>36,612</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, Samoa and British Virgin Islands, the Company and its subsidiaries incorporated in the Cayman Islands, Samoa and British Virgin Islands are not subject to any income tax. The Group is operating in certain jurisdictions where the Pillar Two Rules are enacted but not effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15% after taking into account the adjustments under the Pillar Two Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

The Group's subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax base on assessable income arising in Hong Kong during each of the reporting period.

The provision for Mainland China current income tax is based on the statutory rate of 25% (2024: 25%) of the assessable profit of the PRC subsidiaries of the Company as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**").

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("**SMEs**"), released by the Ministry of Finance on January 2021, qualified SMEs with annual taxable income below RMB1 million per year entitled to a preferential EIT rate of 10% on 25% of their income. Whereas qualified SMEs with taxable income from RMB1 to 3 million are entitled to a preferential EIT rate of 10% on 50% of their income, certain of the group's subsidiaries are entitled to the preferential tax rate for the years ended 31 December 2025 and 2024.

10. DIVIDENDS AND DISTRIBUTION

Pursuant to the resolution passed by the shareholders of the Company at the Company's annual general meeting held on 22 May 2025, a final dividend of HK3.6 cents per ordinary share in respect of the year ended 31 December 2024, absorbing a total amount of HK\$22,354,000, was paid on 6 June 2025 to all shareholders whose names appeared on the register of members of the Company on 2 June 2025.

The Board recommended a final dividend of HK4.0 cents (2024: HK3.6 cents) per ordinary share, absorbing a total amount of HK\$24,837,760 (2024: HK\$22,353,984) in respect of the year ended 31 December 2025, which is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting of the Company. The proposed dividends are not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2026. The final dividends are converted from Hong Kong dollars to Renminbi at the rate at end the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>140,023</u>	<u>84,605</u>
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>620,944,000</u>	<u>620,944,000</u>

The diluted earnings per share is same as the basic earnings per share as there was no potential ordinary shares in issue during the years ended 31 December 2025 and 2024.

12. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for the years ended 31 December 2025 and 2024. During the year ended 31 December 2025, additions to property, plant and equipment approximately amounted to RMB339,501,000 (2024: RMB111,847,000) and disposal of property, plant and equipment approximately amounted to RMB228,000 (2024: RMB4,366,000).

13. INVENTORIES

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Raw materials	48,325	47,365
Finished goods	45,648	35,908
Parts and spares	3,723	2,596
	<u>97,696</u>	<u>85,869</u>

14. TRADE AND BILLS RECEIVABLES

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Trade receivables	20,493	5,636
Bills receivable	259	–
	<u>20,752</u>	<u>5,636</u>

An aging analysis of the trade receivables as at the end of the reporting periods, based on the invoice date, is as follows:

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Within 3 months	<u>20,493</u>	<u>5,636</u>

As at 31 December 2025 and 2024, none of the debtors included in the Group's trade receivables were past due.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Other tax recoverable (<i>note (i)</i>)	149,494	150,945
Prepayments for equipment	22,050	35,043
Prepayments to coal suppliers	14,995	16,032
Prepayments to employees	2,155	2,457
Deposits	10,650	6,637
Other prepayments and other receivables	39,414	33,865
	<u>238,758</u>	<u>244,979</u>
Less: impairment loss on other receivables (<i>note (ii)</i>)	(30,000)	(30,000)
	<u>208,758</u>	<u>214,979</u>
Represented by:		
Current portion	186,708	179,936
Non-current portion	22,050	35,043
	<u>208,758</u>	<u>214,979</u>

Note:

- (i) During 2024, pursuant to the tax notice from the Cangzhou City Taxation Bureau Inspection Bureau (“**Tax Bureau**”) of the PRC regarding findings from a tax audit conducted on Hebei Dongguang Chemical Co., Ltd. (“**Hebei Dongguang**”), an additional Enterprise Income Tax (EIT) liability, arising from certain non-compliant VAT invoices, of approximately RMB49.0 million was identified (the “**Additional EIT**”). Hebei Dongguang prepaid the Additional EIT of RMB49.0 million during the year under review. Due to new data and evidence provided by Hebei Dongguang, Hebei Dongguang has been exempted from the relevant liability and the Additional EIT so prepaid was fully refunded in February 2025.

Except for the prepaid Additional EIT, the balances mainly represent the net input VAT receivable of RMB140,000,000 (2024: RMB87,000,000) which arose when the input VAT from the Group’s purchase of raw materials and equipment exceeded the output VAT incurred from sale of goods at year end date.

Based on the relevant tax rules in the PRC, the Group has the right to claim refund of net input VAT receivable from tax authorities and it had no expiry date to claim for refund or utilize the balances against output VAT when needed, management is of the opinion that no impairment is provided.

- (ii) According to the court judgement granted on 6 December 2023 arising from a contract dispute, a supplier was obligated to refund the deposit and make compensation to a Company’s subsidiary. However, the recoverability of the refund and compensation was assessed as remote and an impairment loss on other receivables amounting to RMB30,000,000 (2024: RMB30,000,000) was made accordingly in the consolidated statement of financial position as at 31 December 2025 and 2024.

16. TRADE AND NOTES PAYABLES

Trade payables are non-interest bearing and normally have a credit period of 0 to 90 days.

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Trade payables	51,790	32,738
Notes payables	45,467	–
	<u>97,257</u>	<u>32,738</u>

An ageing analysis of the Group's trade payables, based on the invoice dates is as follows:

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
0 to 90 days	44,789	28,307
91 to 180 days	497	185
181 to 365 days	1,947	1,233
Over 365 days	4,557	3,013
	<u>51,790</u>	<u>32,738</u>

17. OTHER PAYABLES AND ACCRUALS

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Accruals	28,545	26,553
Other payables (<i>note</i>)	36,790	56,292
	<u>65,335</u>	<u>82,845</u>

Note: Other payables mainly represented utilities payable and payables with construction and manufacturing equipment companies for the purpose of plant improvements, equipment replacements and repairs and maintenance.

18. SHARE CAPITAL

	Number of shares '000	Amount US\$	Amount RMB'000
Authorised share capital: As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025 Ordinary share at US\$0.0001 each	<u>500,000,000</u>	<u>50,000,000</u>	<u>340,499</u>
Issued share capital: As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	<u>620,944</u>	<u>62,094</u>	<u>392</u>

19. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel of the Group

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Short-term employee benefits	1,106	1,104
Retirement benefit scheme contributions	<u>17</u>	<u>17</u>
Total compensation paid to key management personnel	<u>1,123</u>	<u>1,121</u>

20. CAPITAL COMMITMENTS

	At 31 December 2025 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>
Capital commitments contracted for but not provided in the consolidated financial statements:		
– Capital contribution to a subsidiary	1,100	–
– Acquisition of property, plant and equipment	<u>475,962</u>	<u>94,217</u>
	<u>477,062</u>	<u>94,217</u>

21. CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, neither the Group nor the Company had any significant contingent liabilities.

22. EVENTS AFTER THE REPORTING PERIOD

No other significant events that require additional disclosure or adjustments occurred after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the urea and chemical industry in the People's Republic of China (“China”) faced a complex set of market challenges. For much of the year, the industry continued to grapple with price pressures caused by persistent oversupply, subdued domestic and international demand, and fluctuating raw material costs, leading to generally weak urea prices in the first three quarters. However, urea prices exhibited upward movement in the fourth quarter as a result of tightening inventories, stronger procurement activity ahead of the spring agricultural season, and shifts in trade flows including strong international demand and export policy adjustments. These combined factors contributed to a rebound in urea prices within China's market towards the end of the year. Supported by comparatively low coal prices and the Group's effective control in cost of sales, the Group's gross profit margin improved during the second half of the Reporting Period. Consequently, the Group's overall financial performance during the Reporting Period demonstrated significant recovery compared to the year ended 31 December 2024.

During the Reporting Period, the Group recorded an increase in profit by approximately RMB54.7 million or 63.3%, from approximately RMB86.4 million for the year ended 31 December 2024 to approximately RMB141.1 million for the Reporting Period, mainly due to the increase in overall gross profit and gross profit margin, and the investment gain from trading of urea futures contracts. The increase in overall gross profit and gross profit margin was primarily due to the decrease in raw materials costs during the Reporting Period. Although the Group's revenue decreased by approximately RMB191.7 million or 7.4% from approximately RMB2,575.4 million for the year ended 31 December 2024 to approximately RMB2,383.7 million for the Reporting Period, mainly due to the decrease in the average selling price of urea, the Group maintained a stable operating position by optimizing the production capacity and cost control. During the Reporting Period, the sales volume of urea increased by approximately 7.2% as compared to the year ended 31 December 2024. During the Reporting Period, the revenue from vehicle urea solution increased by approximately RMB21.9 million, or 19.7%, from approximately RMB111.4 million for the year ended 31 December 2024 to approximately RMB133.4 million for the Reporting Period, mainly due to the increase in the average selling price of vehicle urea solution.

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Year ended 31 December 2025 RMB'000	Year ended 31 December 2024 RMB'000	% Change + / (-)
Urea	2,057,208	2,247,802	(8.5)%
Vehicle urea solution	133,374	111,433	19.7%
Methanol	133,209	129,434	2.9%
Other products	59,928	86,728	(30.9)%
Total	2,383,719	2,575,397	(7.4)%

Urea

During the Reporting Period, the sales volume of urea increased by approximately 7.2% as compared to the year ended 31 December 2024. However revenue from urea decreased by approximately RMB190.6 million, or 8.5%, from approximately RMB2,247.8 million for the year ended 31 December 2024 to approximately RMB2,057.2 million during the Reporting Period, as the average selling price of the Group's urea decreased by approximately RMB270 per tonne, or 14.7%, from approximately RMB1,842 per tonne for the year ended 31 December 2024 to approximately RMB1,572 per tonne for the Reporting Period, mainly due to the combined effects of domestic urea market supply and demand mismatch, and the changes in urea export policy restrictions during the Reporting Period.

Vehicle urea solution

Revenue from vehicle urea solution increased by approximately RMB21.9 million, or 19.7%, from approximately RMB111.4 million for the year ended 31 December 2024 to approximately RMB133.4 million during the Reporting Period, mainly due to the increase of the average selling price during the Reporting Period. The average selling price of the Group's vehicle urea solution products increased by approximately RMB363 per tonne, or 41.1%, from approximately RMB884 per tonne for the year ended 31 December 2024 to approximately RMB1,247 per tonne for the Reporting Period. The sales volume of vehicle urea solution decreased by approximately 15.2% for the Reporting Period as compared to the year ended 31 December 2024.

Methanol

Revenue from methanol increased by approximately RMB3.8 million, or 2.9%, from approximately RMB129.4 million for the year ended 31 December 2024 to approximately RMB133.2 million during the Reporting Period, mainly due to the increase in sales volume. The average selling price of the Group's methanol decreased by approximately RMB48 per tonne, or 3.0%, from approximately RMB1,726 per tonne for the year ended 31 December 2024 to approximately RMB1,678 per tonne for the Reporting Period, mainly due to the fluctuation of international energy prices during the Reporting Period.

Other products

Other products include carbon dioxide, liquid ammonia, compound fertiliser and LNG. Revenue from other products decreased by approximately RMB26.8 million, or 30.9%, from approximately RMB86.7 million for the year ended 31 December 2024 to approximately RMB59.9 million for the Reporting Period mainly due to the decrease in revenue of the Group's compound fertiliser and liquid ammonia during the Reporting Period. The decrease in revenue of compound fertiliser was mainly due to the decrease in market demand for the Reporting Period, and the decrease in revenue of liquid ammonia was due to the Group optimizing the product structure by shifting its production to urea by-products with stronger profitability.

Cost of sales

The Group's cost of sales decreased by approximately RMB219.5 million, or 9.1%, from approximately RMB2,403.4 million for the year ended 31 December 2024 to approximately RMB2,183.9 million for the Reporting Period, primarily due to the decrease in raw materials costs and manufacturing overhead costs. The decrease in raw material costs was mainly due to the decline in coal prices, and the decrease in manufacturing overhead costs was due to the decrease in equipment repair costs for production line during the Reporting Period.

Gross Profit and Gross Profit Margin

	Year ended 31 December 2025		Year ended 31 December 2024		Change	
	Gross Profit <i>RMB'000</i>	Margin %	Gross Profit <i>RMB'000</i>	Margin %	<i>RMB'000</i>	%
Urea	176,080	8.6	175,760	7.8	320	1
Vehicle urea solution	8,704	6.5	4,899	4.4	3,805	77.7
Methanol	(10,103)	(7.6)	(27,906)	(21.6)	17,803	(63.8)
Other products	25,147	42	19,294	22.2	5,853	30.3
Total	<u>199,828</u>	8.4	<u>172,047</u>	6.7	<u>27,781</u>	16.1

The Group's gross profit increased by approximately RMB27.8 million, or 16.1%, from approximately RMB172.0 million for the year ended 31 December 2024 to approximately RMB198.8 million for the Reporting Period, primarily due to the decrease in the Group's cost of sales mainly resulting from the decrease in the raw materials costs. As a result of the higher percentage decrease in cost of sales than the percentage decrease of revenue during the Reporting Period, the Group's gross profit margin increased from approximately 6.7% for the year ended 31 December 2024 to approximately 8.4% for the Reporting Period.

Other income

Other income decreased by approximately RMB5.4 million, or 15%, from approximately RMB36.3 million for the year ended 31 December 2024 to approximately RMB30.9 million for the Reporting Period, primarily due to the decrease of bank interest income and write-off of trade payables.

Other gains, net

During the Reporting Period, other gains of approximately RMB20.5 million were recorded, primarily attributable to foreign exchange gains, as well as net gain on sales of scrap materials. In contrast, other losses of approximately RMB0.8 million were recorded for the year ended 31 December 2024.

Administrative expenses

Administrative expenses decreased by approximately RMB16.8 million, or 21.7%, from approximately RMB77.6 million for the year ended 31 December 2024 to approximately RMB60.8 million for the Reporting Period, primarily due to the decrease in the impairment loss on other receivables during the Reporting Period.

Distribution expenses

Distribution expenses increased by approximately RMB3.0 million, or 60.6%, from approximately RMB5.0 million for the year ended 31 December 2024 to approximately RMB8.0 million for the Reporting Period, primarily due to the increase in port charges incurred for the Reporting Period.

Finance costs

There was no material fluctuation for finance costs between the Reporting Period and the year ended 31 December 2024.

Taxation

Income tax expenses increased by approximately RMB2.8 million, or 7.7%, from approximately RMB36.6 million for the year ended 31 December 2024 to approximately RMB39.4 million for the Reporting Period primarily due to the increase in profit before income tax.

Profit for the year

Profit for the year increased by approximately RMB54.7 million or 63.3% from approximately RMB86.4 million for the year ended 31 December 2024 to approximately RMB141.1 million for the Reporting Period. This was mainly due to the increase in gross profit of approximately RMB27.8 million, the Group recording other gains of approximately RMB21.3 million as opposed to other losses, and decrease in administrative expenses of approximately RMB16.8 million during the Reporting Period as mentioned above. The increase in profit for the Reporting Period was partially offset by the decrease in other income of approximately RMB5.4 million, the increase in distribution expenses of approximately RMB3.0 million and the increase in income tax expenses of approximately RMB2.8 million during the Reporting Period.

CAPITAL STRUCTURE

As at 31 December 2025, the Group had net assets of approximately RMB1,933.9 million (as at 31 December 2024: approximately RMB1,811.0 million), comprising non-current assets of approximately RMB1,228.4 million (as at 31 December 2024: approximately RMB1,035.7 million), and current assets of approximately RMB989.1 million (as at 31 December 2024: approximately RMB987.3 million), which primarily consist of cash and bank balances amounted to approximately RMB577.7 million (as at 31 December 2024: approximately RMB702.1 million) and restricted cash amounted to approximately RMB101.1 million (as at 31 December 2024: nil). Moreover, trade and bills receivables amounted to approximately RMB20.8 million (as at 31 December 2024: approximately RMB5.6 million), inventories amounted to approximately RMB97.7 million (as at 31 December 2024: approximately RMB85.9 million) and prepayments, deposits and other receivables amounted to approximately RMB186.7 million (as at 31 December 2024: approximately RMB179.9 million) are also major current assets. The Group recorded a net current assets position of approximately RMB756.0 million as at 31 December 2025 (as at 31 December 2024: net current assets of approximately RMB821.6 million). Major current liabilities include trade and notes payables amounted to approximately RMB97.3 million (as at 31 December 2024: approximately RMB32.7 million), other payables and accruals amounted to approximately RMB65.3 million (as at 31 December 2024: approximately RMB82.8 million) and contract liabilities amounted to approximately RMB63.9 million (as at 31 December 2024: approximately RMB55.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had cash and bank balances of approximately RMB577.7 million (as at 31 December 2024: approximately RMB702.1 million) and had no interest-bearing bank borrowings (as at 31 December 2024: nil).

As at 31 December 2025, as the Group had no interest-bearing bank borrowings, the gearing ratio for the Group was 0% (as at 31 December 2024: 0%), calculated based on bank borrowings of the Group and equity attributable to owners of the Company. The Group would serve its debts primarily with cash flow generated from its operation, seeking new banking facilities and exploring the availability of alternative sources of financing. The management is confident that the Group has adequate financial resources to meet its future debt repayment obligations whilst supporting its working capital requirements and future expansion.

PROSPECTS

Looking forward, the Group will maintain its growth strategy with an emphasis on expanding production capacity, advancing technological upgrades, and diversifying its product portfolio. As new projects progress steadily, improvements in energy efficiency and environmental protection in the Group's core urea production are anticipated, enabling the delivery of higher quality urea products to our customers. The Group's newly launched medium granular urea product is poised to deliver substantial value by addressing the evolving needs of both agricultural and industrial customers. With enhanced usability and improved application efficiency, this innovative product is expected to create new revenue streams, boost customer satisfaction, and reinforce the Group's position as a market leader. Its introduction not only aligns with stricter environmental and quality standards, but also provides a timely response to increasing local demand, ensuring that the Group remains agile and profitable in a dynamic marketplace. Moreover, the growing demand for specialty fertilizers in the market, coupled with the implementation of more stringent environmental regulations in the automotive urea industry, is anticipated to promote sustainable growth and encourage ongoing product diversification for the Group. Despite this, market uncertainties persist, with domestic supply and demand, export policy adjustments, international market fluctuations, and ongoing geopolitical tensions remaining key influences on the urea market. The evolving global political landscape may affect trade routes, supply chains, and regulatory environments, adding further complexity to market dynamics. The Group will take proactive measures to address these challenges, focusing on expanding production capacity, process optimization, and product innovation. These efforts will further strengthen the stability and core competitiveness of our operations, establishing a solid foundation for optimizing our product structure and expanding future market opportunities.

FOREIGN CURRENCY EXPOSURE

The Group was exposed to foreign exchange risk during the Reporting Period arising from various currency exposures mainly to the extent of its bank balances in currency denominated in Hong Kong dollars.

The Group does not have a formal foreign currency hedging policy or conducts hedging exercise to reduce its foreign currency exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it be necessary.

CAPITAL COMMITMENTS

As at 31 December 2025, capital commitment of the Group which had been contracted for but not provided in the financial statements was approximately RMB477.1 million (as at 31 December 2024: approximately RMB94.2 million).

CHARGE ON ASSETS

As at 31 December 2025, there was no charge over any assets of the Group.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any material contingent liabilities (as at 31 December 2024: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2025, the Group employed a total of 1,225 employees (as at 31 December 2024: 1,252 employees). The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the Reporting Period, the total staff costs (including directors' emoluments) amounted to approximately RMB159.2 million (year ended 31 December 2024: RMB159.3 million). The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, for their contribution to the Group.

EVENTS AFTER THE REPORTING PERIOD

There is no event that will have material impact on the Group from the end of the Reporting Period to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Reporting Period.

SIGNIFICANT INVESTMENTS

There was no significant investment held by the Company during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK4.0 cents (2024: HK3.6 cents) per ordinary share, absorbing a total amount of about HK\$24.8 million (2024: HK\$22.4 million), in respect of the year ended 31 December 2025 (the “**Proposed Final Dividend**”), which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 22 May 2026 (the “**2026 AGM**”). The Proposed Final Dividend is expected to be paid on 12 June 2026 to all shareholders whose names to be appeared on the register of members of the Company on 2 June 2026.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2026 to 22 May 2026 (both days inclusive) for the purpose of determining the right to attend and vote at the 2026 AGM. In order to be qualified for attending and voting at the 2026 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 18 May 2026.

Conditional on the passing of the resolution approving the declaration of the Proposed Final Dividend at the 2026 AGM, the register of members of the Company will also be closed from 29 May 2026 to 2 June 2026 (both days inclusive) for the purpose of determining the entitlement to the Proposed Final Dividend, which is expected to be paid on or around 12 June 2026. In order to be qualified for the Proposed Final Dividend (subject to the approval of the shareholders at the 2026 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at the address stated above for registration not later than 4:30 p.m. on 28 May 2026.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of the independent non-executive Directors, namely Mr. Ng Sai Leung, Mr. Liu Jincheng and Ms. Lin Xiuxiang. Mr. Ng Sai Leung is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Group the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's annual results for the Reporting Period.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

Note: The amendments to the CG Code effective on 1 July 2025 will apply to the corporate governance reports and annual reports of the Company published in respect of financial years commencing on or after 1 July 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors' securities transactions throughout the Reporting Period.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.dg-chemical.com. The annual report for the Reporting Period will be despatched to the shareholders of the Company and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to thank the management and all staff for their hard work and dedication, as well as the shareholders of the Company and customers of the Group for their support.

By order of the Board
Dongguang Chemical Limited
東光化工有限公司
Wang Chunmeng
Chairman

The PRC, 23 March 2026

As at the date of this announcement, the Board comprises Mr. WANG Chunmeng, Mr. WANG Zhihe, Mr. SUN Zushan and Mr. XU Xijiang as executive directors; Ms. LIN Xiuxiang, Mr. LIU Jincheng and Mr. NG Sai Leung as independent non-executive directors.