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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)

POSITIVE PROFIT ALERT

This announcement is made by Dongguang Chemical Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors ("**Directors**") of the Company wishes to inform shareholders of the Company ("**Shareholders**") and potential investors that based on the latest information currently available to the Board, the Group is expected to record a significant increase in net profit by no less than 110% for the year ended 31 December 2018 as compared to the year ended 31 December 2017. The increase in the net profit of the Group was mainly due to an increase in the average selling prices of urea, methanol and other by-products, which was partly offset with the increase in costs of sales mainly due to (i) the increase in average purchase price of raw materials and (ii) the impact of the provision for utilisation of the prepaid value added tax of approximately RMB54 million, principally as a result of certain input value added tax may not be eligible for tax deduction. The increase in average selling prices of urea, methanol and other by-products is supported by (i) the continuous improvement in domestic and international macro economy in 2018; (ii) the balanced supply and demand of urea products due to the industry consolidation and the increasing pressure on environment protection in the People's Republic of China which led to an overall scale down in the supply of urea; and (iii) the increase of coal price.

The information contained in this announcement is only based on preliminary review and assessment made by the Board with reference to the information currently available, including the latest consolidated management accounts of the Group for the year ended 31 December 2018, which is yet to be confirmed and finalised and is subject to adjustments upon the finalisation of the review by the auditor of the Company. Shareholders and potential investors are advised to refer to details in the final results announcement of the Company for the year ended 31 December 2018 which is expected to be published by the end of March 2019.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

On behalf of the Board
Dongguang Chemical Limited
東光化工有限公司
Wang Zhihe
Chairman

The PRC, 19 March 2019

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