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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)

PROFIT WARNING

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 decrease in net profit by about 26% for the year ended 31 December 2022 as compared to the year ended 31 December 2021. The decrease in net profit of the Group was mainly due to the decrease in overall gross profit and gross profit margin. The decrease in overall gross profit and gross profit margin was primarily due to the increase in the Group’s cost of sales which was primarily due to the increase in raw material costs. Nevertheless, the Group’s revenue has increased for the year ended 31 December 2022 as compared to the year ended 31 December 2021 which was primarily due to the increase in average selling prices of the Group’s urea products. In addition, the Group’s administrative expenses and finance costs have decreased for the year ended 31 December 2022 as compared to the year ended 31 December 2021, mainly attributable to the decrease in provision for other receivables and decrease in interest-bearing bank borrowings, which partially offset the aforementioned negative impact on the cost of sales, gross profit and net profit of the Group.

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 2022, 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 2022 which is expected to be published by the end of March 2023.

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, 28 February 2023

As at the date of this announcement, the Board comprises Mr. WANG Zhihe, 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.