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 2024

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 2024 (the "**Reporting Period**"). The relevant financial figures for the corresponding period or dates in 2023 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 2024

		Year ended 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,575,397**	2,920,711
Cost of sales		**(2,403,350)**	(2,587,750)
Gross profit		**172,047**	332,961
Other income	*4*	**36,333**	17,785
Other losses, net	*5*	**(813)**	(2,077)
Administrative expenses		**(77,584)**	(73,994)
Distribution expenses		**(4,969)**	(4,077)
Finance costs	*7*	**(1,989)**	(1,955)
Profit before income tax	*8*	**123,025**	268,643
Income tax expenses	*9*	**(36,612)**	(74,536)
Profit for the year		**86,413**	194,107
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operation		**6,552**	3,515
Total comprehensive income for the year attributable to owners of the Company		**92,965**	197,622
Profit attributable to:			
– Owners of the Company		**84,605**	190,080
– Non-controlling interest		**1,808**	4,027
		86,413	194,107
Total comprehensive income attributable to:			
– Owners of the Company		**91,157**	193,595
– Non-controlling interest		**1,808**	4,027
		92,965	197,622
		RMB cents	*RMB cents*
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted	*11*	**13.6**	30.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment	*12*	**843,445**	867,340
Investment property		**6,571**	7,155
Right-of-use assets		**148,868**	110,358
Unlisted equity investment at fair value through other comprehensive income		**40**	40
Prepayments for equipment & land lease	*15*	**35,043**	450
Deferred tax assets		**1,766**	81
Total non-current assets		**1,035,733**	985,424
Current assets			
Inventories	*13*	**85,869**	114,774
Trade receivables	*14*	**5,636**	4,130
Prepayments, deposits and other receivables	*15*	**179,936**	193,946
Financial assets at fair value through profit or loss		**–**	31
Income tax receivables		**8,615**	–
Cash and bank balances		**702,097**	797,780
		982,153	1,110,661
Assets classified as held for sale		**5,126**	5,126
Total current assets		**987,279**	1,115,787

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Current liabilities			
Trade payables	*16*	**32,738**	68,674
Deferred revenue		**1,947**	826
Contract liabilities		**55,911**	104,969
Other payables and accruals	*17*	**82,845**	93,344
Financial liabilities at fair value through profit or loss		**1,077**	–
Lease liabilities		**88**	90
Income tax payable		**–**	26,203
Amount due to a non-controlling shareholder of a subsidiary		**40**	40
Total current liabilities		**174,646**	294,146
Net current assets		**812,633**	821,641
Non-current liabilities			
Lease liabilities		**28,051**	27,951
Deferred revenue		**9,275**	2,344
Deferred tax liabilities		**9**	9,602
Total non-current liabilities		**37,335**	39,897
Net assets		**1,811,031**	1,767,168
Capital and reserves attributable to owners of the Company			
Share capital	*18*	**392**	392
Reserves		**1,804,081**	1,758,106
Equity attributable to owners of the Company		**1,804,473**	1,758,498
Non-controlling interests		**6,558**	8,670
Total equity		**1,811,031**	1,767,168

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 set out below.

3. ADOPTION OF IFRS ACCOUNTING STANDARDS

(a) Adoption of new or amended IFRS Accounting Standards

IASB has issued a number of new or amended IFRS Accounting Standards, that are first effective for the current accounting period of the Group:

- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to IFRS 1, Classification of Liabilities as Current or Non-current (the "2020 Amendments")
- Amendments to IAS 1, Non-current Liabilities with Covenants (the "2022 Amendments")
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements

None of these new or amended IFRS Accounting Standards has a material impact on the Company's results and financial position for the current or prior period. The Company has not early applied any new or amended IFRS Accounting Standards that is not yet effective for the current accounting period.

(b) New or amended IFRS Accounting Standards that have been issued but are not yet effective

The following new or amended 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 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
- Amendments to IAS 21, Lack of Exchangeability[2]
- Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7, Annual Improvements to IFRS Accounting Standards – Volume 11[3]
- Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments[3]
- Amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity[3]
- IFRS 18, Presentation and Disclosure in Financial Statements Supplier Finance Arrangements[4]
- IFRS 19, Subsidiaries Without Public Accountability: Disclosures[4]

1 No mandatory effective date yet determined but available for adoption.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company do not anticipate that the application of these new or revised IFRS Accounting Standards in the future will have impacts on the financial statements.

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, major products and timing of revenue recognition:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Revenue		
Primary geographical market		
– PRC	**2,575,397**	2,920,711
Major products		
– Sales of urea	**2,247,802**	2,510,964
– Sales of vehicle urea solution	**111,433**	164,124
– Sales of methanol	**129,434**	130,715
– Sales of liquid ammonia	**3,266**	368
– Sales of carbon dioxide	**23,272**	28,817
– Sales of LNG	**30,345**	32,728
– Sales of compound fertiliser	**29,845**	52,995
Total revenue from contracts with customers	**2,575,397**	2,920,711
Timing of revenue recognition		
– At a point in time	**2,575,397**	2,920,711
Other income is presented as follows:		
Government grants *(note (i))*	**1,949**	3,476
Bank interest income	**13,225**	7,141
Gain on financial assets at fair value through profit or loss *(note (ii))*	**1,680**	2,076
Fair value gain on other financial assets at fair value through profit or loss	**(549)**	31
Write-off of trade payables	**18,985**	2,864
Others	**1,043**	2,197
	36,333	17,785

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.

Government grants were received from the PRC government for construction of property, plant and equipment in prior financial years. These subsidies are recognised in the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the property, plant and equipment. During the year ended 31 December 2024, RMB1,947,000 (2023: RMB825,000) was recognised as other income.

In addition, the Group obtained government grants of RMB2,000 for the year ended 31 December 2024 (2023: RMB2,651,000) from the PRC government and recognised directly under other income as subsidies for operations of production plants.

(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 2024 and 2023.

5. OTHER LOSSES, NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Foreign exchange losses	**(7,604)**	(5,117)
Net gain on sales of scrap materials	**6,791**	3,040
	(813)	(2,077)

6. SEGMENT INFORMATION

Operating segment information

The chief operating decision-maker has been identified as the executive director 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	
	2024	2023
	RMB'000	*RMB'000*
Interest expense in relation to:		
Lease liabilities	**1,989**	1,955

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Auditors' remuneration	**1,714**	1,729
Cost of inventories sold recognised as expense	**2,403,350**	2,587,750
Depreciation of property, plant and equipment	**131,376**	132,640
Depreciation of investment property	**584**	849
Amortisation of right-of-use assets	**3,698**	2,882
Short-term lease payments	**252**	245
Impairment loss on other receivables	**24,632**	5,368
Employee benefit expenses		
(including directors' remuneration)		
– Wages and salaries	**73,850**	63,173
– Discretionary bonuses	**46,342**	41,143
– Retirement benefit scheme contributions *(note)*	**15,001**	12,455
– Staff welfare and other benefits	**24,154**	18,135
	159,347	134,906

Note: For the years ended 31 December 2024 and 2023, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions.

As at 31 December 2024 and 2023, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

9. INCOME TAX EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current tax – PRC		
Current tax	**42,090**	64,757
Withholding tax on dividends	**5,800**	5,500
Deferred tax		
– (Credited)/charged for the year	**(11,278)**	4,279
	36,612	74,536

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 Group's subsidiaries incorporated in the Cayman Islands, Samoa and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any 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% (2023: 25%) of the assessable profit of the PRC subsidiaries of the Group 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, one of the subsidiaries is entitled to the preferential tax rate for the years ended 31 December 2024 and 2023.

10. DIVIDENDS AND DISTRIBUTION

Pursuant to the resolution passed by the shareholders of the Company at the Company's annual general meeting held on 23 May 2024, a final dividend of HK8 cents per ordinary share in respect of the year ended 31 December 2023, absorbing a total amount of HK$49,675,520, was paid on 7 June 2024 to all shareholders whose names appeared on the register of members of the Company on 3 June 2024.

The Board recommended a final dividend of HK3.6 cents (2023: HK8 cents) per ordinary share, absorbing a total amount of HK$22,353,984 (2023: HK$49,675,520) in respect of the year ended 31 December 2024, 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 2025. 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	
	2024	2023
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share	**84,605**	190,080
	Number	*Number*
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**620,944,000**	620,944,000

No diluted earnings per share is presented as there was no potential ordinary shares in issue during the years ended 31 December 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for the years ended 31 December 2024 and 2023. During the year ended 31 December 2024, additions to property, plant and equipment approximately amounted to RMB111,847,000 (2023: RMB70,357,000) and disposal of property, plant and equipment approximately amounted to RMB4,366,000 (2023: RMB106,000).

13. INVENTORIES

	At 31 December 2024	At 31 December 2023
	RMB'000	*RMB'000*
Raw materials	**47,365**	61,238
Finished goods	**35,908**	50,045
Parts and spares	**2,596**	3,491
	85,869	114,774

14. TRADE RECEIVABLES

	At 31 December 2024	At 31 December 2023
	RMB'000	*RMB'000*
Trade receivables	**5,636**	4,130

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 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 3 months	**5,636**	4,130

As at 31 December 2024 and 2023, none of the debtors included in the Group's trade receivables were past due.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Other tax recoverable *(note (i))*	**150,945**	90,546
Prepayments for equipment	**35,043**	450
Prepayments to coal suppliers	**16,032**	18,209
Prepayments to employees	**2,457**	1,390
Deposits	**6,637**	55,662
Other prepayments and other receivables	**33,865**	33,507
	244,979	199,764
Less: impairment loss on other receivables *(note (ii))*	**(30,000)**	(5,368)
	214,979	194,396
Represented by:		
Current portion	**179,936**	193,946
Non-current portion	**35,043**	450
	214,979	194,396

Note:

(i) 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.

(ii) According to the court judgement granted on 6 December 2023 arising from a contractual 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 unlikely after assessing the financial ability of the supplier by the Group. The impairment loss of RMB5,368,000 was recognised in profit or loss for the year ended 31 December 2023. Management further assessed that the probability to recover the amount was remote so that further impairment loss RMB24,632,000 was recognised in profit or loss for the year ended 31 December 2024 and an impairment loss on other receivables amounting to RMB30,000,000 (2023: RMB5,368,000) was made accordingly in the consolidated statement of financial position as at 31 December 2024.

16. TRADE PAYABLES

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

	At 31 December 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Trade payables	**32,738**	68,674

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

	At 31 December 2024 *RMB'000*	At 31 December 2023 *RMB'000*
0 to 90 days	**28,307**	48,137
91 to 180 days	**185**	3,410
181 to 365 days	**1,233**	671
Over 365 days	**3,013**	16,456
	32,738	68,674

17. OTHER PAYABLES AND ACCRUALS

	At 31 December 2024	At 31 December 2023
	RMB'000	*RMB'000*
Accruals	**26,553**	22,381
Other payables *(note)*	**56,292**	70,963
	82,845	93,344

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	**Amount**	**Amount**
	'000	*US$*	*RMB'000*
Authorised share capital:			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024			
Ordinary share at US$0.0001 each	500,000,000	50,000,000	340,499
Issued share capital:			
As at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	620,944	62,094	392

19. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel of the Group

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Short-term employee benefits	**1,104**	1,340
Retirement benefit scheme contributions	**17**	16
Total compensation paid to key management personnel	**1,121**	1,356

20. CAPITAL COMMITMENTS

	At 31 December 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Commitments for the acquisition of property, plant and equipment:		
– contracted for but not provided	**94,217**	5,243

21. CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, 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 significant market challenges, primarily driven by a steep decline in urea prices. This downturn in prices was influenced by a combination of factors, including oversupply, weakening demand both domestically and internationally, and ongoing adjustments in raw material costs. As a result, the overall market prices for urea in China experienced a considerable plunge throughout the year.

During the Reporting Period, the Group recorded a significant decrease in profit by approximately RMB107.7 million or 55.5%, from approximately RMB194.1 million for the year ended 31 December 2023 to approximately RMB86.4 million for the Reporting Period, 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 decrease in revenue from the sales of the Group's main product urea. The Group's revenue decreased by approximately RMB345.3 million or 11.8% from approximately RMB2,920.7 million for the year ended 31 December 2023 to approximately RMB2,575.4 million for the Reporting Period, mainly due to the decrease in the average selling price of urea for reasons stated above. During the Reporting Period, the average selling price of the Group's urea products was approximately RMB1,842 per tonne, representing a decrease of approximately 15.9% from approximately RMB2,189 per tonne for the year ended 31 December 2023.

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Year ended 31 December 2024 *RMB'000*	Year ended 31 December 2023 *RMB'000*	**% Change** +/(-)
Urea	**2,247,802**	2,510,964	(10.5)%
Vehicle urea solution	**111,433**	164,124	(32.1)%
Methanol	**129,434**	130,715	(1.0)%
Other products	**86,728**	114,908	(24.5)%
Total	**2,575,397**	2,920,711	(11.8)%

Urea

Revenue from urea decreased by approximately RMB263.2 million, or 10.5%, from approximately RMB2,511.0 million for the year ended 31 December 2023 to approximately RMB2,247.8 million during the Reporting Period, as the average selling price of the Group's urea decreased by approximately RMB347 per tonne, or 15.9%, from approximately RMB2,189 per tonne for the year ended 31 December 2023 to approximately RMB1,842 per tonne for the Reporting Period, mainly due to the fluctuation of market conditions during the Reporting Period. The sales volume of urea increased by approximately 6.4% for the Reporting Period as compared to the year ended 31 December 2023.

Vehicle urea solution

Revenue from vehicle urea solution decreased by approximately RMB52.7 million, or 32.1%, from approximately RMB164.1 million for the year ended 31 December 2023 to approximately RMB111.4 million during the Reporting Period, mainly due to the decrease of the average selling price during the Reporting Period. The average selling price of the Group's vehicle urea solution products decreased by approximately RMB484 per tonne, or 35.4%, from approximately RMB1,368 per tonne for the year ended 31 December 2023 to approximately RMB884 per tonne for the Reporting Period. The sales volume of vehicle urea solution increased by approximately 5.0% for the Reporting Period as compared to the year ended 31 December 2023.

Methanol

Revenue from methanol decreased by approximately RMB1.3 million, or 1.0%, from approximately RMB130.7 million for the year ended 31 December 2023 to approximately RMB129.4 million during the Reporting Period, mainly due to the decrease in sales volume. The average selling price of the Group's methanol increased by approximately RMB28 per tonne, or 1.6%, from approximately RMB1,698 per tonne for the year ended 31 December 2023 to approximately RMB1,726 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 RMB28.2 million, or 24.5%, from approximately RMB114.9 million for the year ended 31 December 2023 to approximately RMB86.7 million for the Reporting Period mainly due to the decrease in revenue of the Group's compound fertiliser and carbon dioxide 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 carbon dioxide was mainly due to the decrease of average selling price for the Reporting Period.

Cost of sales

The Group's cost of sales decreased by approximately RMB184.4 million, or 7.1%, from approximately RMB2,587.8 million for the year ended 31 December 2023 to approximately RMB2,403.4 million for the Reporting Period, primarily due to the decrease in raw materials costs during the Reporting Period.

Gross Profit and Gross Profit Margin

	Year ended 31 December 2024		Year ended 31 December 2023			
	Gross Profit	**Margin**	Gross Profit	Margin	**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Urea	**175,760**	**7.8**	347,588	13.8	(171,828)	(49.4)
Vehicle urea solution	**4,899**	**4.4**	16,088	9.8	(11,189)	(69.5)
Methanol	**(27,906)**	**(21.6)**	(58,081)	(44.4)	30,175	(52.0)
Other products	**19,294**	**22.2**	27,366	23.8	(8,072)	(29.5)
Total	**172,047**	**6.7**	332,961	11.4	(160,914)	(48.3)

The Group's gross profit decreased by approximately RMB160.9 million, or 48.3%, from approximately RMB333.0 million for the year ended 31 December 2023 to approximately RMB172.0 million for the Reporting Period, primarily due to the decrease in the Group's revenue resulting from the decrease in the average selling price of urea which is a major product of the Group. As a result of the higher percentage decrease in revenue than the percentage decrease of cost of sales during the Reporting Period, the Group's gross profit margin decreased from approximately 11.4% for the year ended 31 December 2023 to approximately 6.7% for the Reporting Period.

Other income

Other income increased by approximately RMB18.5 million, or 104.3%, from approximately RMB17.8 million for the year ended 31 December 2023 to approximately RMB36.3 million for the Reporting Period, primarily due to the increase of bank interest income and the increase of written off trade payables which attributed to the write off of certain long outstanding trade payables during the Reporting Period.

Other losses, net

Other losses, (net) decreased by approximately RMB1.3 million, or 60.9%, from approximately RMB2.1 million for the year ended 31 December 2023 to approximately RMB0.8 million for the Reporting Period, primarily due to increase of the net gain on sales of scrap materials recorded during the Reporting Period.

Administrative expenses

Administrative expenses increased by approximately RMB3.6 million, or 4.9%, from approximately RMB74.0 million for the year ended 31 December 2023 to approximately RMB77.6 million for the Reporting Period, primarily due to the increase in the impairment loss on other receivables during the Reporting Period.

Distribution expenses

Distribution expenses increased by approximately RMB0.9 million, or 21.9%, from approximately RMB4.1 million for the year ended 31 December 2023 to approximately RMB5.0 million for the Reporting Period, primarily due to the increase in staff salaries and welfare expenses for the Reporting Period.

Finance costs

There was no material fluctuation for finance costs between the Reporting Period and the year ended 31 December 2023.

Taxation

Income tax expenses decreased by approximately RMB37.9 million, or 50.9%, from approximately RMB74.5 million for the year ended 31 December 2023 to approximately RMB36.6 million for the Reporting Period primarily due to the decrease in profit before income tax.

Profit for the year

Profit for the year decreased by approximately RMB107.7 million or 55.5% from approximately RMB194.1 million for the year ended 31 December 2023 to approximately RMB86.4 million for the Reporting Period. This was mainly due to the decrease in overall gross profit of approximately RMB160.9 million and decrease in gross profit margin during the Reporting Period as mentioned above. The decrease in profit for the Reporting Period was partially offset by the increase in other income of approximately RMB18.5 million, the decrease in other losses of approximately RMB1.3 million and the decrease in income tax expenses of approximately RMB37.9 million during the Reporting Period.

CAPITAL STRUCTURE

As at 31 December 2024, the Group had net assets of approximately RMB1,811.0 million (as at 31 December 2023: approximately RMB1,767.2 million), comprising non-current assets of approximately RMB1,035.7 million (as at 31 December 2023: approximately RMB985.4 million), and current assets of approximately RMB987.3 million (as at 31 December 2023: approximately RMB1,115.8 million), which primarily consist of cash and bank balances amounted to approximately RMB702.1 million (as at 31 December 2023: approximately RMB797.8 million). Moreover, inventories amounted to approximately RMB85.9 million (as at 31 December 2023: approximately RMB114.8 million) and prepayments, deposits and other receivables amounted to approximately RMB179.9 million (as at 31 December 2023: approximately RMB193.9 million) are also major current assets. The Group recorded a net current assets position of approximately RMB812.6 million as at 31 December 2024 (as at 31 December 2023: net current assets of approximately RMB821.6 million). Major current liabilities include trade payables amounted to approximately RMB32.7 million (as at 31 December 2023: approximately RMB68.7 million), other payables and accruals amounted to approximately RMB82.8 million (as at 31 December 2023: approximately RMB93.3 million) and contract liabilities amounted to approximately RMB55.9 million (as at 31 December 2023: approximately RMB105.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had cash and bank balances of approximately RMB702.1 million (as at 31 December 2023: approximately RMB797.8 million) and had no interest-bearing bank borrowings (as at 31 December 2023: nil).

As at 31 December 2024, as the Group had no interest-bearing bank borrowings, the gearing ratio for the Group was 0% (as at 31 December 2023: 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 ahead, the urea market in China is expected to gradually recover in 2025 from the challenges it has faced in previous years. However, it will still be influenced by global economic conditions, domestic policy changes, and environmental regulations. While price volatility may persist, a more balanced supply-demand situation, coupled with ongoing technological innovation and market adjustments, suggests a cautiously optimistic outlook for the industry. Producers who can navigate these challenges, embrace sustainability, and respond to shifting demand patterns will be well-placed to succeed in the evolving market landscape.

Environmental regulations will continue to play a critical role in shaping the urea market in China. Stricter emissions standards are likely to lead to higher operational costs for producers. However, the government's ongoing emphasis on sustainability and green development may encourage innovation in cleaner and more energy-efficient production methods. Companies that can adapt to these regulatory changes and invest in sustainable practices are likely to be better positioned in the market.

Advancements in urea production technology, especially those aimed at reducing energy consumption and improving production efficiency, could offer competitive advantages for urea producers. Innovations aimed at enhancing the performance of urea in both agricultural and industrial applications will also drive demand for higher-quality products. Companies that invest in research and development to improve their offerings and align with evolving market demands will likely be better positioned to capitalize on growth opportunities.

The Group will remain committed to consolidating and developing its market and industry position while striving to increase shareholder value. In addition, the Group will continue to implement its growth strategies, including increasing production capacity, improving production quality and efficiency, expanding the value chain to urea-related products, strengthening relationships with major customers, and expanding customer base, while seeking to establish strategic relationships and identify acquisition opportunities to achieve sustainable and steady development and actively respond to future challenges, with a view to providing more efficient and environmentally friendly products and high-quality services.

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 2024, capital commitment of the Group which had been contracted for but not provided in the financial statements was approximately RMB94.2 million (as at 31 December 2023: approximately RMB5.2 million).

CHARGE ON ASSETS

As at 31 December 2024, there was no charge over any assets of the Group.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (as at 31 December 2023: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2024, the Group employed a total of 1,252 employees (as at 31 December 2023: 1,292 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 RMB159.3 million (year ended 31 December 2023: RMB134.9 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 HK3.6 cents (2023: HK8 cents) per ordinary share, absorbing a total amount of about HK$22.4 million (2023: HK$49.7 million), in respect of the year ended 31 December 2024 (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 2025 (the "**2025 AGM**"). The Proposed Final Dividend is expected to be paid on 6 June 2025 to all shareholders whose names to be appeared on the register of members of the Company on 2 June 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2025 to 22 May 2025 (both days inclusive) for the purpose of determining the right to attend and vote at the 2025 AGM. In order to be qualified for attending and voting at the 2025 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 16 May 2025.

Conditional on the passing of the resolution approving the declaration of the Proposed Final Dividend at the 2025 AGM, the register of members of the Company will also be closed from 29 May 2025 to 2 June 2025 (both days inclusive) for the purpose of determining the entitlement to the Proposed Final Dividend, which is expected to be paid on or around 6 June 2025. In order to be qualified for the Proposed Final Dividend (subject to the approval of the shareholders at the 2025 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 2025.

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 2024 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.

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, 26 March 2025

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. CHEN Jimin as non-executive director; Ms. LIN Xiuxiang, Mr. LIU Jincheng and Mr. NG Sai Leung as independent non-executive directors.