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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2025**

The board (the “**Board**”) of directors (“**Directors**”) of Dongguang Chemical Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2025 (the “**Reporting Period**”). The relevant financial figures for the corresponding period in 2024 or other dates/periods are also set out in this announcement for comparative purposes.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>1,180,762</b>	1,337,234
Cost of sales		<b>(1,078,954)</b>	(1,193,807)
<b>Gross profit</b>		<b>101,808</b>	143,427
Other income	5	<b>10,409</b>	14,492
Other gains/(losses), net	6	<b>14,479</b>	(7,837)
Administrative expenses		<b>(28,945)</b>	(21,474)
Distribution expenses		<b>(2,095)</b>	(2,190)
Finance costs	8	<b>(941)</b>	(979)
<b>Profit before income tax</b>	9	<b>94,715</b>	125,439
Income tax expenses	10	<b>(21,784)</b>	(35,644)
<b>Profit for the period</b>		<b>72,931</b>	89,795
<b>Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods</b>			
Exchange differences on translation of foreign operation		<b>(2,370)</b>	6,055
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>70,561</b>	95,850
<b>Profit/(loss) for the period attributable to:</b>			
– Owners of the Company		<b>72,318</b>	90,126
– Non-controlling interest		<b>613</b>	(331)
		<b>72,931</b>	89,795
<b>Total comprehensive income/(expense) for the period attributable to:</b>			
– Owners of the Company		<b>69,948</b>	96,181
– Non-controlling interest		<b>613</b>	(331)
		<b>70,561</b>	95,850
		<b>RMB cents</b>	<b>RMB cents</b>
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic	12	<b>11.7</b>	14.5
– Diluted	12	<b>11.7</b>	14.5

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

		At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	13	919,506	843,445
Investment property		6,278	6,571
Right-of-use assets		151,778	148,868
Unlisted equity investment at fair value through other comprehensive income		40	40
Prepayments for equipment and land lease	16	219	35,043
Deferred tax assets		3,887	1,766
<b>Total non-current assets</b>		<b>1,081,708</b>	<b>1,035,733</b>
<b>Current assets</b>			
Inventories	14	86,544	85,869
Trade receivables	15	2,357	5,636
Note receivables		2,335	–
Prepayments, deposits and other receivables	16	177,897	179,936
Income tax receivables		–	8,615
Cash and bank balances		752,792	702,097
Restricted cash	17	46,190	–
		<b>1,068,115</b>	982,153
Assets classified as held for sale		5,126	5,126
<b>Total current assets</b>		<b>1,073,241</b>	<b>987,279</b>
<b>Current liabilities</b>			
Trade payables	18	55,800	32,738
Note payables		12,650	–
Deferred revenue		1,947	1,947
Contract liabilities	5	100,630	55,911
Other payables and accruals	19	74,619	82,845
Financial liabilities at fair value through profit or loss		572	1,077
Lease liabilities		94	88
Income tax payable		10,281	–
Amount due to a non-controlling shareholder of a subsidiary	22(a)	40	40
<b>Total current liabilities</b>		<b>256,633</b>	<b>174,646</b>
<b>Net current assets</b>		<b>816,608</b>	<b>812,633</b>

		At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Lease liabilities		28,986	28,051
Deferred revenue		8,302	9,275
Deferred tax liabilities		–	9
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		37,288	37,335
		<hr/>	<hr/>
<b>Net assets</b>		1,861,028	1,811,031
		<hr/>	<hr/>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	20	392	392
Reserves		1,853,465	1,804,081
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,853,857	1,804,473
<b>Non-controlling interests</b>		7,171	6,558
		<hr/>	<hr/>
<b>Total equity</b>		1,861,028	1,811,031
		<hr/>	<hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2025

## 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. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in manufacturing and selling urea and by-products in the People’s Republic of China (the “**PRC**”).

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 27 August 2025.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2024 annual financial statements, except for those that relate to new amendments effective for the first time for periods beginning on or after 1 January 2025. Details of any changes in accounting policies are set out in note 3. The adoption of the revised IFRS Accounting Standards have no material effect on these interim condensed consolidated financial statements.

The preparation of these interim condensed consolidated financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the interim condensed consolidated financial statements and their effect are disclosed in note 4.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the IFRS Accounting Standards and should be read in conjunction with the 2024 annual financial statements.

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

### 3. CHANGES IN IFRS ACCOUNTING STANDARDS

The IASB has issued an amended IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to IAS 21 and IFRS 1, Lack of Exchangeability

The amended IFRS Accounting Standards that are effective from 1 January 2025 did not have any significant impact on the Group's accounting policies.

### 4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2024 annual financial statements.

### 5. 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.

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Primary geographical market		
– PRC	<b>1,164,333</b>	1,337,234
– Others	<b>16,429</b>	–
	<b><u>1,180,762</u></b>	<b><u>1,337,234</u></b>
Major products		
– Sales of urea	<b>1,007,671</b>	1,159,211
– Sales of methanol	<b>66,684</b>	66,498
– Sales of liquid ammonia	<b>–</b>	3,165
– Sales of carbon dioxide	<b>8,981</b>	11,975
– Sales of LNG	<b>15,357</b>	13,820
– Sales of compound fertiliser	<b>3,759</b>	28,094
– Sales of vehicle urea solution	<b>78,310</b>	54,471
	<b><u>1,180,762</u></b>	<b><u>1,337,234</u></b>
Timing of revenue recognition		
– At a point in time	<b><u>1,180,762</u></b>	<b><u>1,337,234</u></b>
<b>Other income is presented as follows:</b>		
Government grants	<b>973</b>	976
Bank interest income	<b>3,610</b>	9,488
Sales of scrap materials	<b>5,470</b>	4,028
Others	<b>356</b>	–
	<b><u>10,409</u></b>	<b><u>14,492</u></b>

The following table provides information about contract liabilities from contracts with customers.

	<b>30 June 2025 RMB'000 (Unaudited)</b>	<b>31 December 2024 RMB'000 (Audited)</b>
Contract liabilities	<b><u>100,630</u></b>	<b><u>55,911</u></b>

Contract liabilities mainly relate to the advance consideration received from customers. During the six months ended 30 June 2025, RMB55,911,000 (year ended 31 December 2024: RMB104,969,000) of the contract liabilities that was included in the balance at the beginning of the period has been recognised as revenue from performance obligation satisfied during the period when the goods were sold.

## 6. OTHER GAINS/(LOSSES), NET

Other gains/(losses), net has been arrived at:

	<b>Six months ended 30 June 2025 RMB'000 (Unaudited)</b>	<b>2024 RMB'000 (Unaudited)</b>
Gain/(loss) on investment recognised at fair value through profit or loss	<b>8,545</b>	(1,435)
Fair value gain on investment recognised at fair value through profit or loss	<b>89</b>	189
Foreign exchange gains/(losses)	<b><u>5,845</u></b>	<b><u>(6,591)</u></b>
	<b><u>14,479</u></b>	<b><u>(7,837)</u></b>

## 7. SEGMENT INFORMATION

### *Operating segment information*

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 and by-products. The Group's assets and capital expenditure are principally attributable to this business component.

## 8. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Interest expense in relation to:</b>		
Lease liabilities	<u>941</u>	<u>979</u>

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Auditors' remuneration	368	368
Cost of inventories sold recognised as expense	1,078,954	1,193,807
Depreciation of property, plant and equipment	67,779	65,312
Depreciation of right-of-use assets	1,969	1,813
Depreciation of investment property	293	292
Employee benefit expenses (including directors' remuneration)		
– Wages and salaries	53,001	49,640
– Discretionary bonuses	3,645	7,306
– Retirement benefit scheme contributions	6,573	7,012
	<u>63,219</u>	<u>63,958</u>



## 10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Current tax – PRC</b>		
Current tax	22,924	36,314
Withholding tax on dividends	990	5,800
<b>Deferred tax</b>		
Credited for the period	(2,130)	(6,470)
	<b>21,784</b>	<b>35,644</b>

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 the six months ended 30 June 2025 and 2024.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the PRC subsidiary of the Group as determined in accordance with the PRC Enterprise Income Tax ("EIT") Law which was approved and became effective on 1 January 2008 (the "New Enterprise 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 are 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 period ended 30 June 2025 and 2024.

## 11. DIVIDENDS AND DISTRIBUTION

During the six months ended 30 June 2025, a final dividend of HK3.6 cents per ordinary share, absorbing a total amount of approximately HK\$22,354,000 (equivalent to approximately RMB20,564,000) in respect of the year ended 31 December 2024 was approved at the Annual General Meeting held on 22 May 2025. Such final dividend was declared and paid to the shareholders of the Company. The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2025 and 2024.

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings for the purposes of basic and diluted earnings per share	<b><u>72,318</u></b>	<b><u>90,126</u></b>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b><u>620,944,000</u></b>	<b><u>620,944,000</u></b>

Basic and diluted earnings per share are the same since there were no potential dilutive ordinary shares outstanding during the period ended 30 June 2025 and 2024.

## 13. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the six months ended 30 June 2025, additions to property, plant and equipment approximately amounted to RMB143,840,000 (six months ended 30 June 2024: approximately RMB44,320,000).

## 14. INVENTORIES

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2025</b>	<b>2024</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Raw materials	<b>35,075</b>	47,365
Finished goods	<b>48,224</b>	35,908
Parts and spares	<b><u>3,245</u></b>	<b><u>2,596</u></b>
	<b><u>86,544</u></b>	<b><u>85,869</u></b>

## 15. TRADE RECEIVABLES

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Trade debtors	<u>2,357</u>	<u>5,636</u>

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Within 3 months	<u>2,357</u>	<u>5,636</u>

The balances with trade debtors were not past due as at 30 June 2025 and 31 December 2024.

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Other tax recoverable	119,015	150,945
Prepayments for equipment	219	35,043
Prepayments to coal suppliers	41,966	16,032
Prepayments to employees	2,228	2,457
Deposits	10,630	6,637
Other prepayments and other receivables	<u>34,058</u>	<u>33,865</u>
	208,116	244,979
Less: impairment loss on other receivables	<u>(30,000)</u>	<u>(30,000)</u>
	<u>178,116</u>	<u>214,979</u>

Represented by:

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Current portion	177,897	179,936
Non-current portion	<u>219</u>	<u>35,043</u>
	<u><b>178,116</b></u>	<u><b>214,979</b></u>

#### 17. RESTRICTED CASH

Restricted cash primarily represents bank deposits for letters of guarantee for securing the future contracts held in the securities account and bank notes amounted to RMB46,190,000 as at 30 June 2025 (year ended 31 December 2024: nil). None of these deposits are restricted due to legal disputes.

#### 18. TRADE PAYABLES

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

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

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
0 to 90 days	48,060	28,307
91 to 180 days	1,441	185
181 to 365 days	2,973	1,233
Over 365 days	<u>3,326</u>	<u>3,013</u>
	<u><b>55,800</b></u>	<u><b>32,738</b></u>

## 19. OTHER PAYABLES AND ACCRUALS

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Accruals	17,853	26,553
Other payables ( <i>note</i> )	<u>56,766</u>	<u>56,292</u>
	<u><b>74,619</b></u>	<u><b>82,845</b></u>

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

## 20. SHARE CAPITAL

	Number of shares '000	Amount US\$	Amount <i>RMB'000</i>
Authorised share capital:			
As at 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025			
Ordinary shares 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 30 June 2025	<u>620,944</u>	<u>62,094</u>	<u>392</u>

## 21. BANK FACILITIES

As at 30 June 2025, facility agreements of RMB650,000,000 were granted by the bank which were secured by the Group's two parcels of land located in Hebei Province with an aggregate carrying amount of approximately RMB66,675,000 under right-of-use assets. As at 30 June 2025, the Group has not drawn down any funds from these facility agreements.

## 22. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Amount due to a non-controlling shareholder of a subsidiary is unsecured, non-interest bearing and repayable on demand.

### (b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	696	703
Retirement benefit scheme contributions	8	8
	<u>704</u>	<u>711</u>
Total compensation paid to key management personnel	<u>704</u>	<u>711</u>

## 23. CAPITAL COMMITMENTS

	At	At
	30 June	31 December
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Commitments for the acquisition of property, plant and equipment – contracted for but not provided	<u>73,989</u>	<u>94,217</u>

## 24. CONTINGENT LIABILITIES

As at 30 June 2025 and 31 December 2024, neither the Group nor the Company had any significant contingent liabilities.

## 25. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in the interim condensed consolidated financial statements, no significant event took place subsequent to 30 June 2025.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the first half of 2025, China's urea industry encountered a complex and evolving market landscape. Urea prices exhibited an initial increase followed by a subsequent decline over the Reporting Period. The increase of new production capacity nationwide has heightened industry competition. While demand for agricultural fertilizers remained stable, industrial demand showed signs of weakness, exerting downward pressure on urea prices. Furthermore, China's urea export policy has undergone significant adjustments, with limited opening up of international markets under the premise of ensuring domestic agricultural supply.

During the Reporting Period, the overall profit margin of the urea industry was compressed, resulting in a year-on-year decrease in the Group's profit. Nevertheless, the Group has maintained a relatively stable operating position by optimizing the production structure and cost control. The Group's net profit decreased by approximately RMB16.9 million or 18.8% from approximately RMB89.8 million for the six months ended 30 June 2024 to approximately RMB72.9 million for the Reporting Period. The decrease in the Group's net profit 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 mainly due to the decrease in revenue from the sale of urea, the Group's main product, due to the decrease in the average selling price of urea. The Group's revenue decreased by approximately RMB156.4 million or 11.7% from approximately RMB1,337.2 million for the six months ended 30 June 2024 to approximately RMB1,180.8 million for the Reporting Period. During the Reporting Period, the average selling price of the Group's urea products was approximately RMB1,632 per tonne, representing a decrease of approximately 19.2% compared to approximately RMB2,019 per tonne for the six months ended 30 June 2024.

In the first half of 2025, the Group continued to implement its strategy of “urea-based and diversified development”. While ensuring the stable operation of its core urea business, the Group also accelerated efforts in technology upgrades and product diversification strategies, and reduced energy consumption and emissions through technological transformation to respond to the requirements of the national green and low-carbon policy. The Group’s two new projects that under construction this year, (i) The Gasification Transformation Project; and (ii) 540,000 tonnes/year Urea Energy Saving and Carbon-reduction Upgrading Project (together, the “**New Projects**”), progressed in an orderly manner according to plan, with civil construction, and equipment delivery phases currently underway. These two key projects fully demonstrate the Group’s high level of commitment to and strong focus on the green transformation of its operations.

As a major coal-based urea producer in Hebei Province, the Group leverages the capacity strengths of its two state-of-the-art production facilities in Dongguang County to ensure a reliable supply of urea in Northern China. Throughout the production process, the Group prioritized environmental compliance and strict adherence to China’s environmental laws and regulations, while continuously optimizing production processes to enhance product quality and cost efficiency. This dual emphasis on production efficiency and environmental standards compliance enables the Group to maintain operational sustainability in an increasingly stringent environmental regulatory environment, laying the foundation for medium and long-term competitiveness.

## OPERATING AND FINANCIAL REVIEW

### Revenue by Products

	Six months ended 30 June 2025 RMB’000	Six months ended 30 June 2024 RMB’000	% Change +/(–)
Urea	1,007,671	1,159,211	(13.1)
Vehicle urea solution	78,310	54,471	43.8
Methanol	66,684	66,498	0.3
Other products	28,097	57,054	(50.8)
<b>Total</b>	<b>1,180,762</b>	<b>1,337,234</b>	<b>(11.7)</b>



## *Urea*

During the Reporting Period, the sales volume of urea increased by approximately 7.5% as compared to the six months ended 30 June 2024. Revenue from urea decreased by approximately RMB151.5 million, or 13.1%, from approximately RMB1,159.2 million for the six months ended 30 June 2024 to approximately RMB1,007.7 million for the Reporting Period, as the average selling price of the Group's urea products decreased by approximately RMB387 per tonne, or 19.2%, from approximately RMB2,019 per tonne for the six months ended 30 June 2024 to approximately RMB1,632 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 RMB23.8 million, or 43.8%, from approximately RMB54.5 million for the six months ended 30 June 2024 to approximately RMB78.3 million for the Reporting Period, mainly due to the increase in the sales volume because of the recovery in the vehicle urea solution demand during the Reporting Period. The sales volume of the Group's vehicle urea solution products increased by approximately 64,556 tonnes, or 116.0%, from approximately 55,636 tonnes for the six months ended 30 June 2024 to approximately 120,192 tonnes for the Reporting Period. However, the average selling price of the Group's vehicle urea solution decreased by approximately RMB327 per tonne, or 33.4%, from approximately RMB979 per tonne for the six months ended 30 June 2024 to approximately RMB652 per tonne for the Reporting Period, mainly due to the decrease of urea market prices.

## *Methanol*

Revenue from methanol slightly increased by approximately RMB0.3 million, or 0.3%, from approximately RMB66.5 million for the six months ended 30 June 2024 to approximately RMB66.7 million for the Reporting Period, as the sales volume of methanol increased by approximately 2.2% for the Reporting Period as compared to the six months ended 30 June 2024. However, the average selling price of the Group's methanol products decreased by approximately RMB33 per tonne, or 1.8%, from approximately RMB1,789 per tonne for the six months ended 30 June 2024 to approximately RMB1,756 per tonne for the Reporting Period, mainly due to the decrease of 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 RMB29.0 million, or 50.8%, from approximately RMB57.1 million for the six months ended 30 June 2024 to approximately RMB28.1 million for the Reporting Period, mainly due to the decrease in revenue of the Group's carbon dioxide, liquid ammonia and compound fertiliser products during the Reporting Period. The decrease in revenue of such products was due to decrease in their sales volume and average selling prices in the Reporting Period.

### *Cost of sales*

The Group's cost of sales decreased by approximately RMB114.8 million, or 9.6%, from approximately RMB1,193.8 million for the six months ended 30 June 2024 to approximately RMB1,079.0 million for the Reporting Period, primarily due to the decrease in raw material 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**

	Six months ended 30 June 2025		Six months ended 30 June 2024			
	Gross Profit/ (Loss)	Margin	Gross Profit/ (Loss)	Margin	Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Urea	87,938	8.7	148,038	12.8	(60,100)	(40.6)
Vehicle urea solution	5,782	7.4	983	1.8	4,799	488.2
Methanol	(3,471)	(5.2)	(14,291)	(21.5)	10,820	(75.7)
Other products	11,559	41.1	8,697	15.2	2,862	32.9
<b>Total</b>	<b>101,808</b>	<b>8.6</b>	<b>143,427</b>	<b>10.7</b>	<b>(41,619)</b>	<b>(29.0)</b>

The Group's gross profit decreased by approximately RMB41.6 million, or 29.0%, from approximately RMB143.4 million for the six months ended 30 June 2024, to approximately RMB101.8 million for the Reporting Period, primarily due to the decrease in the Group's revenue from the sale of urea, which is a major product of the Group, mainly as a result of the decrease in the average selling price of urea. As a result of the percentage decrease of the Group's revenue being greater than the percentage decrease of the Group's cost of sales during the Reporting Period, the Group's gross profit margin decreased from approximately 10.7% for the six months ended 30 June 2024 to approximately 8.6% for the Reporting Period.

#### *Other income*

Other income decreased by approximately RMB4.1 million, or 28.3%, from approximately RMB14.5 million for the six months ended 30 June 2024, to approximately RMB10.4 million for the Reporting Period, primarily due to decrease in bank interest income in the Reporting Period.

#### *Other gains/(losses), net*

During the Reporting Period, other gains of approximately RMB14.5 million were recorded, primarily attributable to gains from investment in urea futures contracts recognised at fair value through profit or loss, as well as foreign exchange gains. In contrast, during the same period last year, other losses of RMB7.8 million were reported.

#### *Administrative expenses*

Administrative expenses increased by approximately RMB7.4 million, or 34.4%, from approximately RMB21.5 million for the six months ended 30 June 2024 to approximately RMB28.9 million for the Reporting Period, primarily due to the increase of legal and professional fees for the Reporting Period.

#### *Distribution expenses*

There was no material fluctuation for distribution expenses between the Reporting Period and the six months ended 30 June 2024.

#### *Finance costs*

There was no material fluctuation for finance costs between the Reporting Period and the six months ended 30 June 2024.

### *Taxation*

Income tax expenses decreased by approximately RMB13.8 million, or 38.8%, from approximately RMB35.6 million for the six months ended 30 June 2024 to approximately RMB21.8 million for the Reporting Period primarily due to the decrease in profit before income tax.

### *Profit for the period*

Profit for the period decreased by approximately RMB16.9 million, or 18.8%, from approximately RMB89.8 million for the six months ended 30 June 2024 to approximately RMB72.9 million for the Reporting Period. This was mainly due to the decrease in gross profit of approximately RMB41.6 million, decrease in other income of approximately RMB4.1 million and the increase in administrative expenses of approximately RMB7.4 million. The decrease in profit for the Reporting Period was partially offset by the change from other losses (net) to other gains (net) of approximately RMB22.3 million and decrease in income tax expenses of approximately RMB13.8 million.

## **CAPITAL STRUCTURE**

As at 30 June 2025, the Group had net assets of approximately RMB1,861.0 million (as at 31 December 2024: approximately RMB1,811.0 million), comprising of non-current assets of approximately RMB1,081.7 million (as at 31 December 2024: approximately RMB1,035.7 million), and current assets of approximately RMB1,073.2 million (as at 31 December 2024: approximately RMB987.3 million), which primarily consist of cash and bank balances amounted to approximately RMB752.8 million (as at 31 December 2024: approximately RMB702.1 million). Moreover, inventories amounted to approximately RMB86.5 million (as at 31 December 2024: approximately RMB85.9 million) and prepayments, deposits and other receivables amounted to approximately RMB177.9 million (as at 31 December 2024: approximately RMB179.9 million) are also major current assets. The Group recorded a net current asset position of approximately RMB816.6 million as at 30 June 2025 (as at 31 December 2024: approximately RMB812.6 million). Major current liabilities are trade and note payables amounted to approximately RMB68.5 million (as at 31 December 2024: approximately RMB32.7 million), other payables and accruals amounted to approximately RMB74.6 million (as at 31 December 2024: approximately RMB82.8 million) and contract liabilities amounted to approximately RMB100.6 million (as at 31 December 2024: approximately RMB55.9 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2025, the Group had cash and bank balances of approximately RMB752.8 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 30 June 2025, as the Group had no interest-bearing bank borrowings and had no bank and other borrowings repayable within five years, the gearing ratio for the Group (which is calculated based on bank and other borrowings of the Group divided by equity attributable to owners of the Company) was 0% (as at 31 December 2024: 0%). The Group would serve its debts primarily by cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source 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 Group will continue to pursue its growth strategy focused on production capacity expansion, technology upgrades and product diversification. With the steady progress of the New Projects, the energy efficiency and environmental protection performance of the Group's fundamental urea production will be further improved, which will help provide higher quality urea products to our customers. In the context of agricultural modernization, the growth of demand for special fertilizers and the promotion of stricter environmental protection standards on the automotive urea market will inject sustainable development momentum into the diversification of the Group's products. Nevertheless, the outlook for the urea market remains uncertain. Domestic supply and demand, export policy adjustments and fluctuations in international market conditions will continue to be the main factors affecting the urea market. The Group will remain proactive in addressing challenges, and continue to consolidate the stability and core competitiveness of production and operation by expanding production capacity, optimizing processes and promoting product innovation, laying a solid foundation for the Group to optimize its product structure and expand the market in the future.

## **FOREIGN CURRENCY EXPOSURE**

The Group is 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 nor 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 30 June 2025, capital commitment of the Group which had been contracted for but not provided in the financial statements was approximately RMB74.0 million (as at 31 December 2024: approximately RMB94.2 million).

## **CHARGE ON ASSETS**

As at 30 June 2025, two parcels of land located in Hebei Province held by Hebei Dongguang Chemical Co., Ltd\* (河北省東光化工有限責任公司) had been charged as security for certain facilities amounting to an aggregate of RMB650 million granted to it (31 December 2024: Nil). Save as disclosed, there was no other charge over any assets of the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2025, the Group did not have any material contingent liabilities (as at 31 December 2024: Nil).

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2025, the Group employed a total of 1,241 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 RMB63.2 million (six months ended 30 June 2024: approximately RMB64.0 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**

There was no material acquisition or disposal of subsidiaries, associates and 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.

## **INTERIM DIVIDEND**

The Board has decided not to declare an interim dividend for the Reporting Period.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

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 and discussed with the management of the Group on the interim results of the Group for the Reporting Period, including the accounting treatment, principles and practices adopted by the Group, and discussed financial related matters, with no disagreement.

The interim results of the Group for the Reporting Period have been reviewed by the Company's auditor, BDO Limited, in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## 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 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 Part 2 of 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 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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company’s website at [www.dg-chemical.com](http://www.dg-chemical.com). The interim 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, 27 August 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. LIN Xiuxiang, Mr. LIU Jincheng and Mr. NG Sai Leung as independent non-executive directors.*