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KWUNG'S AROMA HOLDINGS LIMITED

曠世芳香控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1925)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The Board hereby announces the annual results of the Group for the year ended 31 December 2024.

FINANCIAL HIGHLIGHTS

	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	1,001,219	806,551	24.1%
Gross profit	224,195	162,132	38.3%
Gross profit margin	22.4%	20.1%	2.3%
Profit for the year	118,664	60,797	95.2%
Earnings per share (basic and diluted)	29.3 cents	15.0 cents	95.6%
Dividend proposed in respect of the year (per share)	–	–	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group provides solutions to customers on design and manufacture of home decoration products and home fragrance products, comprising core products such as home fragrance candles and home fragrance diffusers, which are considered to be widely used in people's daily life.

It remains the Group's main focus on the wholesale business. The Group has been putting a lot of efforts to understand customer needs and provide more tailor-made solutions to the existing customers, including product designs and quality control on the production process. The success of the Group is strongly supported by the loyal customers, which contributes significantly to the Group's revenue growth throughout the years.

In addition to strengthening the relationship with the loyal customers, the Group has also been actively exploring collaboration opportunities with new customers in the market, both in European countries where the Group has been penetrating in all over these years, and also the Americas where the Group had limited presence in the history. It is considered that expanding customer base is one of the key factors for sustainable business growth and also the research and development function of the Group can be further evolved after gaining experience with a more diversified customer base.

The Group continues putting a lot of effort in research and product development. There is a collaboration with Ningbo Institute of Technology, Zhejiang University (浙江大學寧波理工學院) to explore new technology on the Group's products, such as research and development of shea wax products, biodegradable glitter products, and homemade mahogany wick products. The research on new technology and development of new products are considered by the Group's customers as essential elements for long term business collaboration with the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly arises from the export sales of the Group's candle products, home fragrance products and home accessories during the year. It increased by approximately RMB194.7 million or 24.1% to approximately RMB1,001.2 million for the year ended 31 December 2024 from approximately RMB806.6 million for the year ended 31 December 2023. The Group secured more purchase orders from the existing customers, resulting in revenue growth for the year ended 31 December 2024. In addition, there is an appreciation of USD against RMB during the year ended 31 December 2024 contributing to an increased revenue for overseas orders denominated in USD. In addition, the Group also secured certain new customers contributing to the growth in revenue.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB62.1 million or 38.3% to approximately RMB224.2 million for the year ended 31 December 2024 from approximately RMB162.1 million for the year ended 31 December 2023. Such increase in gross profit was mainly because of the increase in the Group's revenue during the year ended 31 December 2024.

The Group's gross profit margin improved for the current year, changing from approximately 20.1% for the year ended 31 December 2023 to approximately 22.4% for the year ended 31 December 2024, which was contributed by the economies of scale on production as a result of increased purchase orders from customers. In addition, the appreciation of USD against RMB during the year ended 31 December 2024 resulted in an increase in equivalent unit selling price in RMB but did not bring corresponding increase in the production costs of the Group since the majority of the Group's suppliers are local enterprises in the PRC and the Group was billed in RMB, and it results in an improved gross profit margin for the year ended 31 December 2024.

Other income

The Group's other income mainly comprises income from government grants in the PRC and also the rental income earned from leasing the Group's properties. The decrease in other income during the current year was mainly attributed to less rental income earned as a result of the disposal of the corresponding properties during the current year.

Administrative expenses

The Group's administrative expenses mainly comprise payroll costs for the management team and supporting staff, cost of raw materials consumed for research and development purpose, depreciation expenses in relation to the Group's office buildings and office equipment and cost of utilities for office use.

There was an increase in administrative expenses of approximately RMB23.7 million or approximately 30.5% to approximately RMB101.2 million for the year ended 31 December 2024 from approximately RMB77.5 million for the year ended 31 December 2023. Increase in administrative expenses was mainly due to increased administrative staff to support the new production plant in Wuhu City, Anhui Province, the PRC, and also salary adjustment for existing staff in response to their increased duties and performance.

Selling and marketing expenses

The Group's selling and marketing expenses mainly comprise advertising and promotion expenses, payroll costs for staff in sales departments, sample inspection and express fees, commissions to agents and operating costs for the Group's retail stores.

There was an increase in selling and marketing expenses of approximately RMB3.0 million or 10.7% to approximately RMB30.9 million for the year ended 31 December 2024 from approximately RMB27.9 million for the year ended 31 December 2023. Increase in the Group's selling and marketing expenses for the current year was mainly due to increased payroll costs for the sales teams to support the business growth.

Other gains, net

The Group's other net gains mainly comprises (i) gain on disposal of a subsidiary which holds certain land and properties in Ningbo City, Zhejiang Province, the PRC (the "**Gain On Disposal**"); (ii) foreign exchange gain arising from the sales to foreign customers; (iii) net fair value changes on funds invested; and (iv) net fair value change on financial instruments. There was an increase in other net gains of approximately RMB14.1 million to approximately RMB33.5 million for the year ended 31 December 2024 from approximately RMB19.4 million for the year ended 31 December 2023.

The increase in other net gains for the year ended 31 December 2024 was mainly due to the non-recurring Gain On Disposal during the year ended 31 December 2024, amounting to approximately RMB21.7 million. Please refer to the announcement of the Company dated 30 January 2024 for details of the Gain On Disposal.

Net finance income/(costs)

The Group's net finance income/(costs) mainly represent the interest income earned from financial institutions less finance costs incurred for short-term bank borrowings.

There was an increase in net finance income of approximately RMB5.3 million from net finance costs of approximately RMB1.4 million for the year ended 31 December 2023 to net finance income of approximately RMB3.9 million for the year ended 31 December 2024.

Increase in net finance income during the current year was mainly due to the increased interest income from bank deposits. The Group accumulated more funds generated from operating activities during the current year and deposited in financial institutions in Hong Kong. The Group arranged more short-term borrowings from banks in the PRC during the current year for payments to local suppliers in the PRC. Financial institutions in Hong Kong offered higher interest rate for the bank deposits than the interest rate charged by financial institutions in PRC for the bank borrowings, resulting in a net interest income earned by the Group. And the slight drop in the interest rate charged by financial institutions in the PRC for the bank borrowings further increased our net interest income for the current year.

Income tax expense

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) *British Virgin Islands income tax*

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

(iii) *Hong Kong profits tax*

Income tax provision of the Group in respect of operations in Hong Kong has been calculated at the applicable tax rate on the estimated assessable profits for the year ended 31 December 2024, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 8.25% on assessable profits up to HKD2,000,000; and 16.5% on any part of assessable profits over HKD2,000,000.

(iv) *PRC corporate income tax*

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years ended 31 December 2024 and 2023.

Ningbo Kwung's was qualified as a "High and New Technology Enterprise" since 2008 and renewed its qualification in December 2023, and it is subject to a reduced preferential corporate income rate of 15% from 2023 to December 2026 according to the tax preference applicable to the High and New Technology Enterprise.

There was a decrease in the Group's income tax expense by approximately RMB2.9 million or 17.3% to approximately RMB13.8 million for the year ended 31 December 2024 from approximately RMB16.7 million for the year ended 31 December 2023. Such decrease was mainly contributed by the decrease in deferred tax expense for the current year. There was a recognition of deferred tax liabilities of RMB7.5 million for the prior year arising from the withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC, and there was no such deferred tax expenses incurred for the current year.

Property, plant and equipment

The Group's property plant and equipment mainly comprise net carrying amounts of the production facilities that was newly constructed on a piece of land located at the Sanshan Economic Development Zone of Wuhu City, Anhui Province, the PRC (the "**WuHu Production Base**"), and also the machinery and equipment located in the Group's existing leased production facilities in Yinzhou District, Ningbo City, Zhejiang Province, the PRC. There was an increase in the net carrying amount of the Group's property, plant and equipment by approximately RMB32.7 million during the year ended 31 December 2024 which was mainly due to the construction costs capitalised for the WuHu Production Base.

Right-of-use assets

The Group's right-of-use assets comprise net carrying amounts of the prepaid land use rights for the lands used by the Group's office building and production plants, and also the net carrying amounts of the properties leased by the Group.

There was an increase in balance of approximately RMB15.3 million during the year ended 31 December 2024, which was mainly due to the net effect of (i) the capitalised costs arising from the leases of several buildings located in Ningbo City, Zhejiang Province, the PRC, for the Group's internal usage; (ii) the capitalised costs arising from the leases of production facilities in Vietnam; and (iii) the depreciation charge for the year ended 31 December 2024.

Investment properties

The Group's investment properties represent the buildings located in Ningbo City, Zhejiang Province, the PRC, owned by the Group. Such buildings were leased to independent third parties as warehouses. The investment properties were disposed of in the first quarter of 2024 to a connected person of the Company.

Inventories

The Group's inventory balance comprises raw materials, work in progress and finished goods for the Group's candle products, home fragrance products and home accessories products. There was an increase in balance of approximately RMB32.6 million or 47.5% from approximately RMB68.7 million as at 31 December 2023 to approximately RMB101.3 million as at 31 December 2024. Such increase in balance was in line with the Group's business growth during the current year.

Trade receivables

Trade receivables balance as at 31 December 2024 mainly represented outstanding balance from the Group's overseas customers. There was an increase in trade receivables balance before allowance for impairment of approximately RMB12.7 million or 8.2% from approximately RMB154.2 million as at 31 December 2023 to approximately RMB166.9 million as at 31 December 2024. Such increase is in line with the increase in the revenue of the Group for the current year.

Most of the Group's trade receivables balance were aged within 180 days. The Group experienced limited bad debt issues over the years and a small provision for impairment of trade receivables of approximately RMB3.2 million was recorded as at 31 December 2024, which is calculated based on the expected credit loss percentage for the aged trade receivables balance.

Prepayments, deposits and other receivables

The balance of prepayments, deposits and other receivables comprises mainly advances to suppliers, prepaid value-added tax, recoverable value-added tax and deposits paid.

There was an increase in the balance of approximately RMB51.3 million or 157.1% to approximately RMB84.0 million as at 31 December 2024 from approximately RMB32.7 million as at 31 December 2023. The increase in balance was mainly due to an increase in recoverable value-added tax as at 31 December 2024 as a result of an increase in refundable value-added tax arising from the export sales closed to the financial year end date.

Financial assets at fair value through profit or loss

The Group subscribed a wealth management product from a financial institution in the PRC using idle cash totalling RMB20 million during the year ended 31 December 2024 targeting to earn a reasonable return with minimal investment risk. The Group has subsequently disposed of such investment product in January 2025 resulting in a small gain of approximately RMB0.1 million.

Other current assets

Balance represented fixed deposits arranged with a local bank in the PRC. Certain fixed deposits were mature during the current year and the funds were then deposited into the Group's bank accounts, resulting in a drop in the balance.

Cash and cash in bank

The balance of cash and cash in bank as at 31 December 2024 comprised cash deposited into financial institutions in the PRC and Hong Kong, and also restricted cash maintained in financial institutions in the PRC.

There was an increase in the balance of approximately RMB171.7 million or 93.5% to approximately RMB355.5 million as at 31 December 2024 from approximately RMB183.8 million as at 31 December 2023. Such increase in balance was mainly contributed by the receipts from customers for the sales of products while the corresponding purchase of raw materials for production were partially funded by short-term bank borrowings.

Trade and other payables

The balance of trade and other payables comprises mainly payables to suppliers of raw materials, payables to contractors in relation to the construction of production facilities in production base in Wuhu City, Anhui Province, the PRC, and also payroll payables to the Group's employees.

There was a slight decrease in balance during the current year mainly due to less payables arising from the construction of the WuHu Production Base upon completion of such construction.

Lease liabilities

The balance of lease liabilities represents the present value of future lease payments in respect of factory buildings leased by the Group.

There is an increase in the balance of approximately RMB18.6 million to approximately RMB19.7 million as at 31 December 2024 from approximately RMB1.1 million as at 31 December 2023 as a result of net effect of the new liabilities arising from some new lease arrangements for the Group's production facilities and also settlement to the lessors during the year ended 31 December 2024.

RECENT DEVELOPMENT

The Group has acquired a piece of land located at Sanshan Economic Development Zone* (三山經濟開發區), Wuhu City, Anhui Province, the PRC, and has started the construction of production facilities on top of the land. The total site area of the land is approximately 96,000 sq. m. and there will be warehouses, workshop buildings and staff quarters with a construction area of approximately 87,000 sq. m. Such production facilities can bring a better quality to the Group's products with less reliance on outsourced subcontracting work, especially for non-standard products. In addition, the production facilities will be equipped with more advanced machineries, achieving a more efficient production cycle. There will also be more comprehensive production lines for fragrance products. The construction was originally estimated to be completed by the end of 2024 for production but there has been a delay in the completion of the setup of the peripheral facilities by the local government, resulting in the delay in releasing the production capacity from the WuHu Production Base. Management of the Group estimates that the production capacity of the WuHu Production Base will be released in the first half of 2025.

In addition, the Group subscribed interests in two investment funds in the PRC totalling RMB100 million in January 2025 funded by the Group's surplus cash reserves. The Directors are of the view that such appropriate wealth management with low risk exposure is conducive to enhancing the utilisation of capital and increasing income from idle funds of the Group.

FUTURE PLANS

In addition to setting up the Group's self-owned production facilities in the WuHu Production Base as mentioned above, the Group is also exploring the possibilities of setting up new production facilities overseas in response to overseas market demands.

Having established a long term plan on the production capacity, the Group is also actively expanding its customer base, including customers from new geographical markets like the United States. The Group has established a healthy and solid customer base with existing customers and it is a good time for the Group to go further into new market and secure new customers for the Group's sustainable growth.

FINANCIAL INFORMATION

The financial information below is extracted from the audited financial statements of the Company.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Revenue	3	1,001,219	806,551
Cost of sales	4	(777,024)	(644,419)
Gross profit		224,195	162,132
Administrative expenses	4	(101,205)	(77,538)
Selling and marketing expenses	4	(30,915)	(27,919)
Net impairment losses on financial assets		(692)	(1,243)
Other income	5	3,645	4,024
Other gains – net	6	33,514	19,391
Operating profit		128,542	78,847
Finance income		8,938	2,397
Finance costs		(5,039)	(3,788)
Finance income/(costs) – net	7	3,899	(1,391)
Profit before income tax		132,441	77,456
Income tax expense	8	(13,777)	(16,659)
Profit for the year		118,664	60,797
Profit attributable to:			
– Owners of the Company		118,602	60,645
– Non-controlling interests		62	152
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(197)	58
Total comprehensive income for the year		118,467	60,855
Total comprehensive income attributable to:			
– Owners of the Company		118,445	60,692
– Non-controlling interests		22	163
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	9	29 cents	15 cents

Consolidated Statement of Financial Position

As at 31 December 2024

		As at 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		197,503	164,801
Investment properties		–	7,159
Right-of-use assets		53,933	38,610
Intangible assets		5,284	5,642
Deferred income tax assets		133	1,149
Total non-current assets		256,853	217,361
Current assets			
Inventories	10	101,283	68,653
Trade receivables	11	163,705	151,192
Prepayments, deposits and other receivables	12	83,974	32,662
Financial assets at fair value through profit or loss		20,056	–
Other current assets		21,926	100,590
Cash and cash in bank		355,512	183,765
Total current assets		746,456	536,862
Total assets		1,003,309	754,223
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	359	359
Share premium		173,560	206,813
Other reserves		(6,571)	(13,555)
Retained earnings		362,604	251,143
		529,952	444,760
Non-controlling interests		817	795
Total equity		530,769	445,555

		As at 31 December	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	14	164,303	169,055
Borrowings		270,920	90,000
Contract liabilities		4,404	6,337
Current income tax liabilities		4,425	7,505
Lease liabilities		7,433	1,122
Deferred income tax liability		8,767	8,649
		<hr/>	<hr/>
Total current liabilities		460,252	282,668
		<hr/>	<hr/>
Non-current liabilities			
Borrowings		–	26,000
Lease liabilities		12,288	–
		<hr/>	<hr/>
Total non-current liabilities		12,288	26,000
		<hr/>	<hr/>
Total liabilities		472,540	308,668
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		1,003,309	754,223
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

The financial information is extracted from the Group's consolidated financial statements which have been prepared in accordance with HKFRSs and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value. The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2024.

The preparation of the Group's consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies.

2. NEW STANDARDS NOT YET ADOPTED

A number of new standards had been issued but were not mandatory for the financial year beginning on 1 January 2025 and have not been early adopted by the Group.

According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group's financial performance and position, except HKFRS 18, which may mainly impact the presentation of the consolidated statements of the comprehensive income and the Group is still in the process of assessing the impact.

3. REVENUE

Revenue mainly comprises of proceeds from selling goods. An analysis of the Group's revenue by category for the years ended 31 December 2024 and 2023 is as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from customers		
Candles	700,178	546,884
Home fragrance	212,456	142,814
Home accessories	88,585	116,853
	1,001,219	806,551

4. EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	628,982	462,931
Employee benefit expenses	100,513	83,677
Subcontracting costs	87,948	126,419
Transportation expenses	18,472	15,295
Depreciation of property, plant and equipment	12,584	15,863
Amortisation and depreciation of right-of-use assets	9,430	3,479
Other service fees	7,407	5,599
Utilities	6,440	6,454
Advertising and promotion expenses	4,676	4,254
Taxes and surcharges	4,523	4,946
Sample inspection and express fees	4,206	3,949
Business entertainment expenses	3,517	2,621
Office expenses	3,228	2,326
Travelling expenses	2,937	2,138
Sales commission	2,327	454
Operating lease expenses on short-term leases	1,637	3,197
Auditor's remuneration – annual audit services	1,400	1,810
Amortisation of intangible assets	1,050	789
Statutory audit fees	690	491
Insurance expenses	579	415
Depreciation of investment properties	126	377
Other expenses	6,472	2,392
	909,144	749,876

5. OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government grants (i)	1,954	1,759
Rental income	586	1,285
Others	1,105	980
	3,645	4,024

- (i) Government grants were mainly unconditional government subsidies received by the Group from relevant government bodies.

6. OTHER GAINS – NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on disposal of a subsidiary	21,706	–
Net foreign exchange gains	8,673	6,487
Fair value gains on funds	5,657	6,955
Fair value gains on other financial instruments	56	8,304
Gains/(losses) on disposal of property, plant and equipment – net	27	(130)
Donation expenses	(1,900)	(2,050)
Others	(705)	(175)
	<u>33,514</u>	<u>19,391</u>

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income	<u>8,938</u>	<u>2,397</u>
Finance costs		
Interest expenses on borrowings	(4,507)	(3,698)
Interest expenses on lease liabilities	<u>(532)</u>	<u>(90)</u>
	<u>(5,039)</u>	<u>(3,788)</u>
Finance income/(costs)–net	<u>3,899</u>	<u>(1,391)</u>

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	6,789	6,656
– Hong Kong profits tax	5,854	2,567
Deferred income tax	<u>1,134</u>	<u>7,436</u>
Income tax expense	<u>13,777</u>	<u>16,659</u>

9. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the years ended 31 December 2024 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issued during the period.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit attributable to owners of the Company (RMB'000)	118,602	60,645
Weighted average number of ordinary shares in issue (expressed in thousand)	405,042	405,042
Basic earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	<u>0.29</u>	<u>0.15</u>

For the years ended 31 December 2024 and 2023, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

10. INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials	40,575	30,760
Work in progress	19,612	8,516
Finished goods	45,257	31,243
Provision for impairment of inventories	<u>(4,161)</u>	<u>(1,866)</u>
	<u>101,283</u>	<u>68,653</u>

11. TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables due from third parties	166,893	154,221
Less: allowance for impairment of trade receivables	<u>(3,188)</u>	<u>(3,029)</u>
Trade receivables – net	<u>163,705</u>	<u>151,192</u>

Trade receivables all arise from sales of goods.

As at 31 December 2024 and 2023, the gross carrying amounts of trade receivables before provision were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
USD	153,597	111,694
RMB (i)	13,296	42,527
	166,893	154,221

(i) As at 31 December 2024 and 2023, RMB7,174,111 and RMB38,059,418 were due from overseas clients who made the payment via Cross-border Interbank Payment System respectively.

As at 31 December 2024 and 2023, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 30 days	70,743	55,906
Over 30 days and within 180 days	90,751	95,252
Over 180 days and within one year	2,604	279
Over one year and within two years	1,024	746
Over two years and within three years	1,771	2,038
	166,893	154,221

As at 31 December 2024 and 2023, the fair value of trade receivables approximated their carrying amounts. Sales of products are received in accordance with the terms of the relevant sales agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The expected loss rates are based on the payment profiles of sales over past years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the factors such as GDP of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. As at 31 December 2024 and 2023, the Group did not hold any collateral as security over these debtors.

	As at 31 December	
	2024	2023
	ECL Rate	ECL Rate
Within 30 days	0.10%	0.15%
Over 30 days and within 180 days	0.32%	0.45%
Over 180 days and within one year	19.72%	21.30%
Over one year and within two years	52.67%	56.90%
Over two years	100.00%	100.00%

Movements in the provision for impairment of trade receivables are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	(3,029)	(3,472)
Provision for impairment	(570)	(1,133)
Written off during the year	411	1,576
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At the end of the year	(3,188)	(3,029)
	<hr/>	<hr/>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments		
– Advances to suppliers	15,720	7,849
– Prepaid income tax	739	129
– Prepaid value-added tax	15,317	7,831
	<hr/>	<hr/>
Subtotal	31,776	15,809
	<hr/>	<hr/>
Other receivables		
– Deposits	2,411	975
– Advances to employees	675	947
– Recoverable value-added tax	49,268	14,396
– Amounts due from related parties	–	416
– Others	293	446
	<hr/>	<hr/>
Subtotal	52,647	17,180
	<hr/>	<hr/>
Total	84,423	32,989
	<hr/>	<hr/>
Less: allowance for impairment of other receivables	(449)	(327)
	<hr/>	<hr/>
	83,974	32,662
	<hr/>	<hr/>

Movements in the provision for impairment of other receivables are as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(327)	(217)
Provision for impairment	(122)	(110)
	<u> </u>	<u> </u>
At the end of the year	(449)	(327)
	<u> </u>	<u> </u>

13. SHARE CAPITAL

On 13 November 2018, the Company was incorporated in the Cayman Islands. At the date of incorporation, the authorised share capital is HKD380,000 at par value of HKD0.001.

Ordinary shares issued and fully paid:

	Number of ordinary shares	Nominal value of shares <i>HKD</i>	Equivalent nominal value of shares <i>RMB</i>
At 31 December 2024 and 31 December 2023	405,042,000	405,042	358,767
	<u> </u>	<u> </u>	<u> </u>

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	139,071	104,989
Other payables	11,804	52,027
Staff salaries and welfare payables	8,274	10,153
Others	5,154	1,886
	<u> </u>	<u> </u>
	164,303	169,055
	<u> </u>	<u> </u>

As at 31 December 2024 and 2023, all trade and other payables of the Group were non-interest bearing.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company nor any of the subsidiaries of the Company purchased, redeemed or sold the listed securities of the Company during the year ended 31 December 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**CG Code**"). Save as disclosed below, the Company has complied with the CG Code for the year ended 31 December 2024.

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. JIN Jianxin ("**Mr. Jin**") currently performs these two roles. Throughout the Group's business history, Mr. Jin, being a founder of the Group and a controlling Shareholder, has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of the Group since its establishment. Taking into account the consistent leadership within the Group, the Board believes that it is in the best interests of the Group and the Shareholders as a whole to have Mr. Jin taking up both roles for effective and efficient overall strategic planning and continuation of the implementation of such plans for the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial information in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2024 as set out in this announcement has been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

REVIEW BY THE AUDIT COMMITTEE

The results of the Company for the year ended 31 December 2024 has been reviewed by the audit committee of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 20 June 2025. The notice of the AGM will be issued and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 June 2025 to 20 June 2025, both days inclusive, for the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on 16 June 2025.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“AGM”	the annual general meeting of the Company to be held in Hong Kong on 20 June 2025
“Board”	the board of Directors
“China” or “PRC”	The People's Republic of China and, except where the context requires and only for the purpose of this announcement, references to China do not include Taiwan, Hong Kong or the Macao Special Administrative Region of the PRC
“Company”	Kwung's Aroma Holdings Limited
“Director(s)”	director(s) of the Company
“Group”, “our Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Ningbo Kwung’s”	Ningbo Kwung’s Wisdom Art & Design Co., Ltd.* (寧波曠世智源工藝設計有限公司), a company established in the PRC with limited liability on 4 January 1999, and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi Yuan, the lawful currency of the PRC
"Shareholder(s)"	the holder(s) of the ordinary share(s) of the Company
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States of America

* *The English translation of the Chinese name of the relevant parties included in this announcement is prepared for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.*

By order of the Board
Kwung’s Aroma Holdings Limited
JIN Jianxin
Chairman and executive Director

Hong Kong, 31 March 2025

As at the date of this announcement, the executive Directors are Mr. JIN Jianxin and Mr. TIAN Dong; the non-executive Director is Mr. SHAO Patrick; and the independent non-executive Directors are Mr. LAI Chun Yu, Ms. XU Qiong and Mr. ZHOU Kai.