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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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

The Board hereby announces the unaudited interim results of the Group for the six months ended 30 June 2025.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change
	2025	2024	
	RMB'000	RMB'000	
Revenue	356,592	334,205	6.7%
Gross profit	83,187	81,505	2.1%
Gross profit margin	23.3%	24.4%	(1.1%)
Total comprehensive income attributable to owners of the Company	22,540	50,881	(55.7%)
Earnings per share (basic and diluted) (expressed in RMB cents)	5.6	12.6	(55.7%)
Dividend declared in respect of the period (HK\$)	–	0.09	(100%)

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 lives.

The Group has set up a production plant in Yinzhou District, Ningbo City, Zhejiang Province, the PRC (the “**Yinzhou Plant**”), which has started operating since 2020. The Yinzhou Plant has been equipped with more advanced and automated production equipment and better logistics solution. The Group further enhanced its production efficiency by implementing “Informatisation” on the supply chain and production cycle, which has been recognised by the Group's customer as the production time can be further shortened.

In addition to the Yinzhou Plant, the Group has also taken a significant step to establish a new comprehensive production base in Wuhu City, Anhui Province, the PRC. Having acquired a piece of land located at the Sanshan Economic Development Zone* (三山經濟開發區) with a total site area of approximately 96,000 sq.m., the Group has also completed the construction of production facilities (the “**Wuhu Production Base**”), including warehouses, workshop buildings and staff quarters, with a construction area of approximately 87,000 sq.m. on such piece of land. The Wuhu Production Base has started operating during the six months ended 30 June 2025.

In addition to the existing production facilities located in the PRC, the Group has also expanded to set up new overseas production facilities. The Group has completed the setup of the production facilities in Vietnam and put it into use during the six months ended 30 June 2025, and the Group is in the process of setting up the new production facilities in Thailand.

RECENT DEVELOPMENT

The European Commission (the “**Commission**”), the executive branch of the European Union, published on 13 August 2025 to implement a regulation to impose provisional anti-dumping duty on imports of candles, tapers and the like originating in the PRC (the “**Provisional Duty**”) as a result of the anti-dumping investigation carried out by the Commission. The provisional duty rate applied to candle products imported to countries of the European Union and produced by the subsidiaries of the Company established in the PRC is 70.9% (the “**Provisional Duty Rate**”). The Commission states that the findings concerning the imposition of the Provisional Duty Rate are provisional and may be amended at the definitive state of the anti-dumping investigation. The Directors consider that the Provisional Duty may have impact to the overall revenue and profits of the Group given over 50% of the Group's sales arise from purchase orders for candle products placed by customers from countries of the European Union. The Group is seeking legal advice on the Provisional Duty and will make further announcement as and when appropriate.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly arises from the sales of the Group's candles products, home fragrance products and home accessories, and trading of wax during the six months ended 30 June 2025.

There was a slight increase in revenue of approximately RMB22.4 million or approximately 6.7% to approximately RMB356.6 million for the six months ended 30 June 2025 from approximately RMB334.2 million for the six months ended 30 June 2024. The increase in revenue was mainly because of some organic growth on the business through some increase in purchase orders from existing customers.

Gross profit and gross profit margin

The Group's gross profit margin slightly decreased to approximately 23.3% for the six months ended 30 June 2025 from approximately 24.4% for the six months ended 30 June 2024. The slight decrease in gross profit margin was mainly because the Group enjoyed a better gross profit margin during the year ended 30 June 2024 as a result of the depreciation of RMB against USD during the six months ended 30 June 2024. Purchase orders received from customers are denominated in USD while the majority of the Group's suppliers are local enterprises in the PRC and the Group was billed in RMB, causing a positive effect to the Group's gross profit margin under the depreciation of RMB against United States dollars during the six months ended 30 June 2024.

Other income

The Group's other income mainly represents tax incentive in the PRC in relation to high-and-new technology enterprise, income from government grants in the PRC and net income on bulk sales of raw materials to other market participants.

Administrative expenses

The Group's administrative expenses mainly comprise payroll costs for the management team and supporting staff, costs 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.

The administrative expense increased by approximately RMB7.8 million or approximately 17.9% to approximately RMB51.2 million for the six months ended 30 June 2025 from approximately RMB43.4 million for the six months ended 30 June 2024, which was mainly due to increase in the headcount and payroll costs for supporting the business growth and the operation of the Wuhu Production Base.

Selling and marketing expenses

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

The selling and marketing expenses slightly decreased by approximately RMB2.0 million or approximately 10.4% to approximately RMB17.1 million for the six months ended 30 June 2025 from approximately RMB19.0 million for the six months ended 30 June 2024 as a result of the effective cost saving measures adopted by the Group.

Other gain

Balance mainly represents a fair value gain on funds investment of approximately RMB3.4 million and foreign exchange gains of approximately RMB0.9 million. Decrease in balance was mainly due to the one-off gain on disposal of a subsidiary during the prior period.

The balance decreased by approximately RMB25.7 million or approximately 85.8% to approximately RMB4.3 million for the six months ended 30 June 2025 from approximately RMB30.0 million for the six months ended 30 June 2024 because there was a one-off gain on disposal of a subsidiary which held certain land and properties in Ningbo City, Zhejiang Province, the PRC, amounting to approximately RMB21.7 million for the six months ended 30 June 2024.

Finance income and finance costs

The Group's finance income represents the interest income earned from financial institutions and the Group's finance costs comprise the interests charged on bank loans and interest expense component on the operating lease arrangement in relation to the Group's leased production facilities and retail stores.

Decrease in finance income during the current period was mainly because of the drop in interest rate granted by the financial institutions for deposits placed in the financial institutions, and increase in finance costs during the current period was mainly because the Group arranged more borrowings from the financial institutions given the interest rate has dropped during the current period, resulting in a more cost effective financing arrangement.

Income tax expenses

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.

There was a decrease in the Group's income tax expenses by approximately RMB4.0 million or 51.9% to approximately RMB3.7 million for the six months ended 30 June 2025 from approximately RMB7.7 million for the six months ended 30 June 2024. Such decrease was in line with the decrease in the Group's profit before tax for the six months ended 30 June 2025.

Property, plant and equipment

The Group's property, plant and equipment mainly comprise net carrying amounts of the office building, production plants, machinery and the corresponding capitalised renovation costs. There was an increase in the net carrying amounts of the Group's property, plant and equipment by approximately RMB18.5 million during the six months ended 30 June 2025, which was mainly due to the net impact of the construction costs for the Wuhu Production Base, and the depreciation charge for the six months ended 30 June 2025.

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 the net carrying amounts of the properties leased by the Group.

There was a decrease in the net carrying amounts of the Group's right-of-use assets by approximately RMB7.5 million during the six months ended 30 June 2025, which was mainly due to the amortisation charge of the land use rights and the carrying amounts of the leased properties during the current period.

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 the Group's inventory balance by approximately RMB34.8 million or 34.3% to approximately RMB136.1 million as at 30 June 2025 from approximately RMB101.3 million as at 31 December 2024 which was mainly due to some finished goods pending for delivery for the customers as at 30 June 2025, and the increased stock level of raw materials for upcoming production plans in the third quarter of 2025.

Trade receivables

Trade receivables balance as at 30 June 2025 mainly represented the outstanding balance from the Group's overseas customers. There was a decrease in trade receivables balance before allowance for impairment of approximately RMB29.6 million or 17.7% from approximately RMB166.9 million as at 31 December 2024 to approximately RMB137.3 million as at 30 June 2025. The decrease in the Group's trade receivables balance was achieved by an enhanced credit control on the Group's customers.

Most of the Group's trade receivables balance were aged within 180 days as at 30 June 2025. The Group experienced limited bad debt issues over the years and a small provision for impairment of trade receivables of approximately RMB2.5 million was recorded as at 30 June 2025, 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 and recoverable value-added tax.

There was a decrease in the balance of prepayments, deposits and other receivables of approximately RMB42.1 million or 50.1% from approximately RMB84.0 million as at 31 December 2024 to approximately RMB41.9 million as at 30 June 2025 mainly due to more refundable value-added tax arising from the export sales as at 31 December 2024.

Financial assets at fair value through profit or loss

The Group subscribes certain private funds in the PRC using idle cash totalling RMB100 million. There was a fair value gain of approximately RMB3.4 million for the investment in those private funds during the six months ended 30 June 2025.

Cash and cash equivalents

The balance of cash and cash equivalents as at 30 June 2025 comprised cash deposited into financial institutions in the PRC and Hong Kong.

The Group maintains a sufficient level of cash and bank balance to support the operation of the manufacturing and sales function of the Group, and also the setup of overseas production facilities.

Trade and other payables

The balance of trade and other payables comprises mainly payables to suppliers of raw materials and payroll payables to the Group's employees.

There was a decrease in the balance of trade and other payables of approximately RMB30.5 million from approximately RMB164.3 million as at 31 December 2024 to approximately RMB133.8 million as at 30 June 2025. Such decrease was mainly due to less payables arising from the construction of the Wuhu Production Base.

Borrowings

The Group had debt financing through bank borrowings for raising general working capital of the Group. Certain bank borrowings of the Group are short-term loans arranged with the banks in the PRC while some bank borrowings of the Group are related to the bank acceptance bills discounted with banks in the PRC.

More borrowings were arranged during the six months ended 30 June 2025 given the borrowing rate dropped and it is considered more cost effective to arrange additional general working capital through debt financing to support the organic growth of the Group's existing business.

FINANCIAL INFORMATION

Interim condensed consolidated statement of comprehensive income

Six months ended 30 June 2025

	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	3	356,592	334,205
Cost of sales		(273,405)	(252,700)
Gross profit		83,187	81,505
Administrative expenses		(51,171)	(43,396)
Selling and marketing expenses		(17,065)	(19,043)
Net impairment losses on financial assets		(1,212)	(3,882)
Other income		7,302	5,409
Other gains, net		4,264	29,978
Operating profit		25,305	50,571
Finance income		4,068	8,555
Finance costs		(3,158)	(523)
Finance costs, net		910	8,032
Profit before income tax		26,215	58,603
Income tax expenses	4	(3,698)	(7,694)
Profit for the period		22,517	50,909
Profit for the period attributable to:			
Owners of the Company		22,540	50,881
Non-controlling interests		(23)	28

	<i>Note</i>	2025 <i>RMB'000</i> (Unaudited)	2024 <i>RMB'000</i> (Unaudited)
Other comprehensive income:			
Items that maybe reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		<u>192</u>	<u>—</u>
Total comprehensive income for the period		<u>22,709</u>	<u>50,909</u>
Total comprehensive income attributable to:			
Owners of the Company		22,711	50,881
Non-controlling interests		<u>(2)</u>	<u>28</u>
Earnings per share for profit attributable to owners of the Company – Basis and diluted (expressed in RMB cents)	6	<u>5.6</u>	<u>12.6</u>

Interim condensed consolidated statement of financial position

As at 30 June 2025

		30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		216,029	197,503
Right-of-use assets		46,472	53,933
Intangible assets		4,975	5,284
Deferred income tax assets		167	133
Total non-current assets		267,643	256,853
Current assets			
Inventories		136,057	101,283
Trade receivables	7	134,832	163,705
Prepayments, deposits and other receivables		41,862	83,974
Financial assets at fair value through profit or loss		108,455	20,056
Other current assets		50,233	21,926
Cash and cash in banks	8	367,239	355,512
Total current assets		838,678	746,456
Total assets		1,106,321	1,003,309
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	359	359
Share premium	9	173,560	173,560
Other reserves		(6,400)	(6,571)
Retained earnings		385,144	362,604
		552,663	529,952
Non-controlling interests		1,060	817
Total equity		553,723	530,769

		30 June 2025	31 December 2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	10	133,829	164,303
Borrowings		379,780	270,920
Contract liabilities		9,542	4,404
Current income tax liabilities		4,399	4,425
Lease liabilities		7,641	7,433
Deferred tax liability		8,130	8,767
		<hr/>	<hr/>
Total current liabilities		543,321	460,252
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		9,277	12,288
		<hr/>	<hr/>
Total liabilities		552,598	472,540
		<hr/>	<hr/>
Total equity and liabilities		1,106,321	1,003,309
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information for the six months ended 30 June 2025 are consistent with those adopted in preparing the audited financial statements for the year ended 31 December 2024. In addition, the unaudited interim financial information includes applicable disclosure required by the Listing Rules.

2. CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the preparation of the financial information for the six months ended 30 June 2025 are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2024.

(a) Adoption of new and revised standards

The Group has adopted the below amendments to standards and revised interpretation for the first time for its accounting period beginning on 1 January 2025.

Amendments to HKSA 21	Lack of Exchangeability
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The adoption of these amendments to standards and revised interpretation did not have a material impact on the Group in the current or prior periods.

(b) Amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2025 and not early adopted by the Group.

HKFRS 18	Presentation and Disclosure in Financial Statements
HKFRS 19	Subsidiaries without Public Accountability: Disclosures
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

The Group is in the process of assessing the impact of these amendments to standards. The preliminary assessment indicated that the adoption of which is not expected to have any significant impact on the financial performance and the financial position of the Group.

3. REVENUE

Revenue mainly comprises of proceeds from selling goods. An analysis of the Group's revenue by category for the six months ended 30 June 2025 and 30 June 2024 is as follows:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from customers		
Candles	232,059	238,035
Home fragrance	93,258	68,921
Home accessories	31,275	27,249
	<u>356,592</u>	<u>334,205</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	4,369	5,908
Deferred income tax	(671)	1,786
	<u>3,698</u>	<u>7,694</u>

5. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2024 and 30 June 2025.

A distribution of an interim dividend of HK\$0.09 per Share was declared by the Board on 30 August 2024.

6. EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted number of ordinary shares deemed to be in issue during the six months ended 30 June 2025 and 30 June 2024, respectively.

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (expressed in RMB'000)	22,540	50,881
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 cents per share)	5.6	12.6

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the six months ended 30 June 2025 and 30 June 2024, the diluted earnings per share is equal to basic earnings per share, as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

7. TRADE RECEIVABLES

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Trade receivables	137,303	166,893
Less: allowance for impairment of trade receivables	(2,471)	(3,188)
Trade receivables – net	134,832	163,705

Trade receivables all arise from sales of goods.

As at 30 June 2025 and 31 December 2024, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Within 30 days	77,111	70,743
Over 30 days and within 180 days	50,478	90,751
Over 180 days and within one year	7,256	2,604
Over one year and within two years	1,270	1,024
Over two years	1,188	1,771
	<u>137,303</u>	<u>166,893</u>

8. CASH AND CASH IN HAND

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Cash in banks (i)	286,252	353,357
Cash in other financial institutions	80,973	2,140
Cash on hand	14	15
	<u>367,239</u>	<u>355,512</u>

(i) As at 30 June 2025 and 31 December 2024, cash in banks contains approximately RMB78,870,962 and RMB28,055,128 restricted cash deposits, respectively.

9. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued and fully paid:

	Number of ordinary shares	Nominal value of share capital HK\$	Equivalent nominal value of share capital RMB	Share premium RMB'000
At 31 December 2024 and at 30 June 2025	<u>405,042,000</u>	<u>405,042</u>	<u>358,767</u>	<u>173,560</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Trade payables	124,329	139,071
Other payables	4,748	11,804
Accrued taxes other than income tax	4,583	5,154
Staff salaries and welfare payables	169	8,274
	<u>133,829</u>	<u>164,303</u>

Ageing analysis of trade payables to third parties and related parties based on invoice date at the respective year end dates was as follows:

	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Within one year	123,316	137,561
Over one year and within two years	196	547
Over two years	817	963
	<u>124,329</u>	<u>139,071</u>

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES 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 six months ended 30 June 2025.

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 throughout the six months ended 30 June 2025.

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 of the Company, 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 of the Company 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.

DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2025.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2025 including the accounting principles and practices adopted by the Group.

DEFINITION

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

“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, the Hong Kong Special Administrative Region of the People’s Republic of China or the Macao Special Administrative Region of the People’s Republic of China
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“ HKASs ”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi Yuan, the lawful currency of the PRC

“Share(s)”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States

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

Hong Kong, 29 August 2025

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

* *For identification purpose only*