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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 2025

The Board hereby announces the annual results of the Group for the year ended 31 December 2025.

FINANCIAL HIGHLIGHTS

	2025	2024	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	882,120	1,001,219	(11.9%)
Gross profit	189,315	224,195	(15.6%)
Gross profit margin	21.5%	22.4%	(0.9%)
Profit for the year	35,768	118,664	(69.9%)
Earnings per share (basic and diluted)	9 cents	29 cents	(69.9%)
Dividend proposed in respect of the year (per share)	–	–	–

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.

The Group has its production base located in the PRC since its establishment and it was one of the key success factors maintaining a good production quality while having good cost controls. The Group faced a big challenge since the European Commission, the executive branch of the European Union, (the "**Commission**") initiated an anti-dumping investigation with regard to imports of candles, tapers and the like originating in the PRC in 2024. On 13 August 2025, the Commission announced the implementation of a regulation to impose provisional anti-dumping duty on imports of candles, tapers and the like originating in the PRC 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 Group has planned ahead since the commencement of the investigation and started setting up its production base in Vietnam. The production base in Vietnam commenced operations during the year ended 31 December 2025, which is considered to be an effective measure in response to the provisional anti-dumping duty imposed by the Commission. The Group expects that the establishment of overseas production bases will secure stable production capacities for customers from all over the world.

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 decreased by approximately RMB119.1 million or 11.9% to approximately RMB882.1 million for the year ended 31 December 2025 from approximately RMB1,001.2 million for the year ended 31 December 2024. The decrease in the revenue during the current year was mainly due to less purchase orders from customers located in countries of the European Union. A provisional anti-dumping duty on imports of candles, tapers and the like originating in PRC to countries of the European Union has been implemented since August 2025. Such provisional anti-dumping duty caused a significant increase in purchase costs of candle products from the Group by customers located in countries of the European Union. Despite the Group has already set up production bases in Vietnam during the year in response to such provisional anti-dumping duty, customers were cautious and reduced the purchase volumes from the Group. In addition, there was a depreciation of USD against RMB during the current year causing a decreased revenue for overseas orders denominated in USD.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB34.9 million or 15.6% to approximately RMB189.3 million for the year ended 31 December 2025 from approximately RMB224.2 million for the year ended 31 December 2024. Such decrease in gross profit was mainly because of the decrease in the Group's revenue during the year ended 31 December 2025.

The Group's gross profit margin slightly decreased for the current year, changing from approximately 22.4% for the year ended 31 December 2024 to approximately 21.5% for the year ended 31 December 2025, which was mainly caused by the depreciation of USD against RMB during the year ended 31 December 2025, resulting in a decrease in equivalent unit selling price in RMB while the corresponding production costs of the Group remained stable given the majority of the Group's suppliers are local enterprises in the PRC and the Group was billed in RMB.

Other income

The Group's other income mainly comprises income from government grants in the PRC and also the additional deduction of input value-added tax in the PRC. The additional 5% deduction of input value-added tax is granted by the tax authority in the PRC to the Group as a production company in the PRC. The increase in other income during the current year was mainly contributed by the new additional 5% deduction of input value-added tax and also more government grant received 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 RMB19.2 million or approximately 19.0% to approximately RMB120.4 million for the year ended 31 December 2025 from approximately RMB101.2 million for the year ended 31 December 2024. Increase in administrative expenses was mainly due to increased administrative staff to support the new production bases in Vietnam and also in Wuhu City, Anhui Province, the PRC, and also increased depreciation for facilities located in new production bases.

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 claims from customers for product defects.

There was an increase in selling and marketing expenses of approximately RMB8.1 million or 26.3% to approximately RMB39.0 million for the year ended 31 December 2025 from approximately RMB30.9 million for the year ended 31 December 2024. Increase in the Group's selling and marketing expenses for the current year was mainly due to increased advertising and promotion expenses and increase in claims from customers for product defects.

Other (losses)/gains, net

The Group's other net gains/(losses) 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 differences arising from the sales to foreign customers; (iii) net fair value changes on funds invested; and (iv) donation expenses.

There were other losses of approximately RMB1.3 million for the year ended 31 December 2025 while the Group recorded other gains of approximately RMB33.5 million for the year ended 31 December 2024.

The turnaround from other gains to other losses during the current year was mainly due to the one-off Gain On Disposal during the prior year and also the foreign exchange losses incurred during the current year as a result of the depreciation of USD against RMB during the current year.

Net finance income

The Group's net finance income mainly represents the interest income earned from financial institutions less finance costs incurred for short-term bank borrowings. There was a decrease in net finance income of approximately RMB3.1 million from approximately RMB3.9 million for the year ended 31 December 2024 to net finance income of approximately RMB0.8 million for the year ended 31 December 2025.

Decrease in net finance income during the current year was mainly due to the increased finance costs as a result of increased bank borrowing amounts. 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.

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) Vietnam corporate income tax

The Group's subsidiary in Vietnam is subject to income tax at a rate of 20%.

(v) *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 2025 and 2024.

Ningbo Kwung's was qualified as a "High and New Technology Enterprise" since 2008 and renewed its qualification in December 2024. It is subject to a reduced preferential corporate income rate of 15% from 2024 to December 2025 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 RMB6.5 million or 47.0% to approximately RMB7.3 million for the year ended 31 December 2025 from approximately RMB13.8 million for the year ended 31 December 2024. Such decrease was mainly contributed by the decrease in profit before tax during 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**"), machinery and equipment located in the Group's new production base in Vietnam, 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 RMB25.7 million during the year ended 31 December 2025 which was mainly due to the construction costs capitalised for the WuHu Production Base and also machinery and equipment arranged for the new production base in Vietnam.

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 a decrease in balance of approximately RMB9.0 million during the year ended 31 December 2025, 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; and (ii) the depreciation charge for the year ended 31 December 2025.

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 RMB11.0 million or 10.8% from approximately RMB101.3 million as at 31 December 2024 to approximately RMB112.2 million as at 31 December 2025. Such increase in balance was due to more raw materials purchased in response to purchase orders received closed to the year end date.

Trade receivables

Trade receivables balance as at 31 December 2025 mainly represented outstanding balance from the Group's overseas customers. There was a decrease in trade receivables balance before allowance for impairment of approximately RMB32.6 million or 19.6% from approximately RMB166.9 million as at 31 December 2024 to approximately RMB134.3 million as at 31 December 2025. Such decrease is in line with the decrease 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 RMB4.1 million was recorded as at 31 December 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, prepaid value-added tax, recoverable value-added tax and deposits paid. There was a decrease in the balance of approximately RMB21.2 million or 25.3% to approximately RMB62.8 million as at 31 December 2025 from approximately RMB84.0 million as at 31 December 2024. The decrease in balance was mainly due to a decrease in recoverable value-added tax as at 31 December 2025 as a result of a decrease 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 interest in a fund in the PRC totalling RMB10 million and also subscribed a wealth management product from a financial institution in the PRC totalling RMB2 million using idle cash during the year ended 31 December 2025 targeting to earn a reasonable return with minimal investment risk.

Other current assets

Balance as at 31 December 2024 represented fixed deposits arranged with a local bank in the PRC. Such fixed deposits matured during the current year and the funds were then deposited into the Group's bank accounts.

Cash and cash in bank

The balance of cash and cash in bank as at 31 December 2025 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 RMB235.5 million or 66.2% to approximately RMB591.0 million as at 31 December 2025 from approximately RMB355.5 million as at 31 December 2024. Such increase in balance was mainly contributed by the increase in bank borrowings arranged in the PRC.

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 the WuHu Production Base, and also payroll payables to the Group's employees.

There was a 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 a decrease in the balance of approximately RMB5.2 million to approximately RMB14.5 million as at 31 December 2025 from approximately RMB19.7 million as at 31 December 2024 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 2025.

RECENT DEVELOPMENT

On 26 January 2026, the Commission announced to impose a definitive anti-dumping duty on imports of candles, tapers and the like originating in the PRC and the definitive anti-dumping duty applied to the Group is 56.7%, a drop of 14.2% from the provisional rate of 70.9% announced on 13 August 2025.

In addition, the Group subscribed interests in an investment fund in the PRC totalling RMB50 million in January 2026 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 the new production base in Vietnam, the Group has been exploring to set up another production base in Thailand and has already identified suitable pieces of land for construction of production bases. Please refer to the announcement of the Company dated 4 March 2026 for details. It is considered necessary for the Group to expand its overseas production bases in the long run.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

		Year ended 31 December	
		2025	2024
	Notes	RMB'000	RMB'000
Revenue	3	882,120	1,001,219
Cost of sales	4	<u>(692,805)</u>	<u>(777,024)</u>
Gross profit		<u>189,315</u>	<u>224,195</u>
Administrative expenses	4	(120,404)	(101,205)
Selling and marketing expenses	4	(39,047)	(30,915)
Net impairment losses on financial assets		(2,267)	(692)
Other income	5	15,940	3,645
Other (losses)/gains – net	6	<u>(1,263)</u>	<u>33,514</u>
Operating profit		<u>42,274</u>	<u>128,542</u>
Finance income		9,664	8,938
Finance costs		<u>(8,867)</u>	<u>(5,039)</u>
Finance income – net	7	<u>797</u>	<u>3,899</u>
Profit before income tax		<u>43,071</u>	<u>132,441</u>
Income tax expense	8	<u>(7,303)</u>	<u>(13,777)</u>
Profit for the year		<u>35,768</u>	<u>118,664</u>
Profit attributable to:			
– Owners of the Company		35,881	118,602
– Non-controlling interests		<u>(113)</u>	<u>62</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>109</u>	<u>(197)</u>
Total comprehensive income for the year		<u>35,877</u>	<u>118,467</u>
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		35,966	118,445
– Non-controlling interests		<u>(89)</u>	<u>22</u>
Earnings per share for profit attributable to owners of the Company <i>(expressed in RMB per share)</i>			
– Basic and diluted	9	<u>9 cents</u>	<u>29 cents</u>

Consolidated Statement of Financial Position

As at 31 December 2025

		As at 31 December	
		2025	2024
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		223,235	197,503
Long-term investments		4,975	–
Right-of-use assets		44,913	53,933
Intangible assets		4,900	5,284
Deferred income tax assets		–	133
		<hr/>	<hr/>
Total non-current assets		278,023	256,853
		<hr/>	<hr/>
Current assets			
Inventories	10	112,236	101,283
Trade receivables	11	130,148	163,705
Prepayments, deposits and other receivables	12	62,756	83,974
Financial assets at fair value through profit or loss		12,648	20,056
Other current assets		-	21,926
Cash and cash in bank		590,974	355,512
		<hr/>	<hr/>
Total current assets		908,762	746,456
		<hr/>	<hr/>
Total assets		1,186,785	1,003,309
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	359	359
Share premium		155,405	173,560
Other reserves		(3,819)	(6,571)
Retained earnings		395,818	362,604
		<hr/>	<hr/>
		547,763	529,952
Non-controlling interests		875	817
		<hr/>	<hr/>
Total equity		548,638	530,769
		<hr/>	<hr/>

		As at 31 December	
		2025	2024
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	14	133,118	164,303
Borrowings		474,455	270,920
Contract liabilities		4,594	4,404
Current income tax liabilities		3,409	4,425
Lease liabilities		7,461	7,433
Deferred income tax liability		8,029	8,767
		<hr/>	<hr/>
Total current liabilities		631,066	460,252
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		7,081	12,288
		<hr/>	<hr/>
Total liabilities		638,147	472,540
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		1,186,785	1,003,309
		<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 HKFRS Accounting Standards 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 2025.

The preparation of the Group's consolidated financial statements in conformity with HKFRS Accounting Standards 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

The following standards, amendments, interpretation and improvements to existing standards, which are relevant to the operations of the Group, have been published and are not mandatory for the Group's accounting periods beginning on or after 1 January 2026 but have not been early adopted by the Group:

New standards, amendments, interpretation and improvements		Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual Improvements to HKFRS HKFRS 18	Accounting Standards – Volume 11 Presentation and Disclosure in Financial Statements	1 January 2026 1 January 2027
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2028

According to the assessment made by the directors of the Company, these new and amended standards are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective, except for HKFRS 18 which will mainly impact the presentation of the consolidated statements of comprehensive income.

HKFRS 18 will replace HKAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

Impact on consolidated statements of comprehensive income:

- Although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the income statement into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
 - HKFRS 18 has specific requirements on the category in which derivative gains or losses are recognised – which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Group currently recognises the gains or losses in operating profit, there might be a change to where these gains or losses are recognised, and the Group is currently evaluating the need for change.

Impact on consolidated balance sheets:

The line items presented on the primary financial statements might change as a result of the application of the concept of useful structured summary and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the Group will disaggregate goodwill and other intangible assets and present them separately in the statement of financial position.

Impact on disclosure:

- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
 - management-defined performance measures;
 - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
 - for the first annual period of application of HKFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.

Impact on cash flow statement:

- From a cash flow statement perspective, there will be changes to how interest paid are presented. Interest paid will be presented as financing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

3. REVENUE

Revenue mainly comprises of proceeds from wholesale of goods. An analysis of the Group's revenue by product type for the years ended 31 December 2025 and 2024 is as follows:

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from customers		
Candles	589,381	700,178
Home fragrance	215,502	212,456
Home accessories	77,237	88,585
	<u>882,120</u>	<u>1,001,219</u>

4. EXPENSES BY NATURE

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	549,057	628,982
Employee benefit expenses	107,548	100,513
Subcontracting costs	85,600	87,948
Depreciation of property, plant and equipment	21,687	12,584
Transportation expenses	18,366	18,472
Amortisation and depreciation of right-of-use assets	13,778	9,430
Other service fees	9,859	7,407
Sample inspection and express fees	6,162	4,206
Utilities	6,008	6,440
Advertising and promotion expenses	5,381	4,676
Taxes and surcharges	5,253	4,523
Office expenses	4,474	3,228
Business entertainment expenses	3,663	3,517
Travelling expenses	3,480	2,937
Operating lease expenses on short-term leases	1,661	1,637
Sales commission	1,502	2,327
Amortisation of intangible assets	1,194	1,050
Auditor's remuneration – annual audit services	1,000	1,400
Insurance expenses	709	579
Statutory audit fees	494	690
Depreciation of investment properties	–	126
Other expenses	5,380	6,472
	<u>852,256</u>	<u>909,144</u>

5. OTHER INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Government grants (i)	7,751	1,954
Additional deduction of input value-added tax (ii)	6,950	–
Rental income	–	586
Others	1,239	1,105
	<u>15,940</u>	<u>3,645</u>

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

(ii) Advanced manufacturing enterprises are allowed to deduct an additional 5% of their current deductible input value-added tax from the payable value-added tax.

6. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Fair value gains on funds	5,590	5,657
Fair value gains on other financial instruments	113	56
Gains on disposal of a subsidiary	–	21,706
(Losses)/gains on disposal of property, plant and equipment – net	(56)	27
Donation expenses	(500)	(1,900)
Net foreign exchange (losses)/gains	(5,827)	8,673
Others	(583)	(705)
	<u>(1,263)</u>	<u>33,514</u>

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Finance income		
Interest income	<u>9,664</u>	<u>8,938</u>
Finance costs		
Interest expenses on borrowings	(8,105)	(4,507)
Interest expenses on lease liabilities	<u>(762)</u>	<u>(532)</u>
	<u>(8,867)</u>	<u>(5,039)</u>
Finance income – net	<u>797</u>	<u>3,899</u>

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC corporate income tax	4,532	6,789
– Vietnam income tax	2,241	–
– Hong Kong profits tax	1,135	5,854
Deferred income tax	(605)	1,134
	<u>7,303</u>	<u>13,777</u>

9. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the years ended 31 December 2025 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	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company (<i>RMB'000</i>)	35,881	118,602
Weighted average number of ordinary shares in issue (<i>expressed in thousand</i>)	405,042	405,042
Basic earnings per share for profit attributable to the owners of the Company (<i>expressed in RMB per share</i>)	<u>0.09</u>	<u>0.29</u>

For the years ended 31 December 2025 and 2024, diluted earnings per share was equal to the basic earnings per share as there were no dilutive shares.

10. INVENTORIES

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	58,534	40,575
Work in progress	13,205	19,612
Finished goods	45,370	45,257
Provision for impairment of inventories	(4,873)	(4,161)
	<u>112,236</u>	<u>101,283</u>

11. TRADE RECEIVABLES

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables due from third parties	134,264	166,893
Less: allowance for impairment of trade receivables	(4,116)	(3,188)
	<hr/>	<hr/>
Trade receivables – net	130,148	163,705
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables all arise from sales of goods.

As at 31 December 2025 and 2024, the gross carrying amounts of trade receivables before provision were denominated in the following currencies:

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
USD	102,585	153,597
RMB (i)	31,679	13,296
	<hr/>	<hr/>
	134,264	166,893
	<hr/> <hr/>	<hr/> <hr/>

(i) As at 31 December 2025 and 2024, RMB24,089,892 and RMB7,174,111 were due from oversea clients who made the payment via Cross-border Interbank Payment System respectively.

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

	As at 31 December	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	69,144	70,743
Over 30 days and within 180 days	56,607	90,751
Over 180 days and within one year	5,784	2,604
Over one year and within two years	141	1,024
Over two years	2,588	1,771
	<hr/>	<hr/>
	134,264	166,893
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2025 and 2024, 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 2025 and 2024, the Group did not hold any collateral as security over these debtors.

	As at 31 December	
	2025	2024
	ECL Rate	ECL Rate
Within 30 days	0.06%	0.10%
Over 30 days and within 180 days	0.17%	0.32%
Over 180 days and within one year	22.54%	19.72%
Over one year and within two years	61.27%	52.67%
Over two years	100.00%	100.00%

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
At the beginning of the year	(3,188)	(3,029)
Provision for impairment	(1,222)	(570)
Written off during the year	294	411
	<hr/>	<hr/>
At the end of the year	(4,116)	(3,188)
	<hr/> <hr/>	<hr/> <hr/>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Prepayments		
– Advances to suppliers	28,289	15,720
– Prepaid income tax	3,957	739
– Prepaid value-added tax	6,360	15,317
	<u>38,606</u>	<u>31,776</u>
Subtotal		
Other receivables		
– Deposits	11,952	2,411
– Advances to employees	546	675
– Recoverable value-added tax	12,609	49,268
– Others	537	293
	<u>25,644</u>	<u>52,647</u>
Subtotal		
Total	<u>64,250</u>	<u>84,423</u>
Less: allowance for impairment of other receivables	<u>(1,494)</u>	<u>(449)</u>
	<u>62,756</u>	<u>83,974</u>

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

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
At the beginning of the year	(449)	(327)
Provision for impairment	<u>(1,045)</u>	<u>(122)</u>
At the end of the year	<u>(1,494)</u>	<u>(449)</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 HKD	Equivalent nominal value of shares RMB
At 31 December 2025 and 31 December 2024	<u>405,042,000</u>	<u>405,042</u>	<u>358,767</u>

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Trade payables	105,636	139,071
Other payables	13,612	11,804
Staff salaries and welfare payables	12,410	8,274
Others	1,460	5,154
	<u>133,118</u>	<u>164,303</u>

As at 31 December 2025 and 2024, all trade and other payables of the Group were non-interest bearing.

15. DIVIDENDS

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Dividends	<u>18,155</u>	<u>33,253</u>

On 25 November 2025, the Board announced to resolve the declaration and payment of a special dividend of HKD5 cents per share with the total amount of HKD 19,951,798 (approximately RMB18,154,141).

The Board does not recommend the payment of final dividend in respect of the year ended 31 December 2025.

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 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 for the year ended 31 December 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, 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 2025 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 2025 has been reviewed by the audit committee of the Company.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 26 June 2026. 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 23 June 2026 to 26 June 2026, 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 22 June 2026.

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 26 June 2026
“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
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS Accounting Standards”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations developed 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 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 2026

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.