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农夫山泉

NONGFU SPRING CO., LTD.

農夫山泉股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9633)

ANNOUNCEMENT OF 2024 INTERIM RESULTS

HIGHLIGHTS OF 2024 INTERIM RESULTS

- Total revenue was RMB22,173 million, representing a year-on-year increase of 8.4%;
- Profit attributable to the owners of the parent was approximately RMB6,240 million, representing a year-on-year increase of 8.0%;
- Basic earnings per share were RMB0.55, representing a year-on-year increase of 8.0%.

The board of directors (the “**Board**”) of Nongfu Spring Co., Ltd. (the “**Company**” or “**Nongfu Spring**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**” or “**we**”) for the six months ended June 30, 2024 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) (the “**Results Announcement**”), together with the comparative figures for the corresponding period of 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended June 30, 2024*

	<i>Notes</i>	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	4	22,173,084	20,462,425
Cost of sales		<u>(9,140,616)</u>	<u>(8,152,496)</u>
Gross profit		13,032,468	12,309,929
Other income and gains, net		1,039,655	900,521
Selling and distribution expenses		(4,971,457)	(4,695,318)
Administrative expenses		(913,377)	(958,569)
Other expenses		(5,536)	(2,589)
Finance costs		<u>(39,438)</u>	<u>(29,670)</u>
PROFIT BEFORE TAX	5	8,142,315	7,524,304
Income tax expense	6	<u>(1,902,736)</u>	<u>(1,748,883)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>6,239,579</u>	<u>5,775,421</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the period	8	<u>RMB0.55</u>	<u>RMB0.51</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
PROFIT FOR THE PERIOD	<u>6,239,579</u>	<u>5,775,421</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>128</u>	<u>773</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>128</u>	<u>773</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>128</u>	<u>773</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>6,239,707</u>	<u>5,776,194</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2024

	June 30, 2024	December 31, 2023
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	19,311,683	17,179,628
Right-of-use assets	994,849	946,979
Intangible assets	73,008	74,222
Deferred tax assets	1,077,461	921,333
Long-term bank deposits	10,527,397	1,510,722
Other non-current assets	38,376	42,831
	<hr/>	<hr/>
Total non-current assets	32,022,774	20,675,715
CURRENT ASSETS		
Inventories	3,336,543	3,091,729
Trade and bills receivables	703,194	547,021
Prepayments, other receivables and other assets	969,006	694,778
Pledged deposits	6,839	2,677
Cash and bank balances	16,601,323	24,125,210
Financial assets at fair value through profit or loss	2,426,761	–
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Total current assets	24,043,666	28,461,415
CURRENT LIABILITIES		
Trade and bills payables	1,859,344	1,770,098
Other payables and accruals	18,947,579	9,288,983
Contract liabilities	2,409,942	3,584,921
Interest-bearing borrowings	3,856,714	3,120,619
Lease liabilities	73,051	58,030
Tax payables	1,847,080	2,053,907
	<hr/>	<hr/>
Total current liabilities	28,993,710	19,876,558
NET CURRENT (LIABILITIES)/ASSETS	(4,950,044)	8,584,857
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TOTAL ASSETS LESS CURRENT LIABILITIES	27,072,730	29,260,572
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at June 30, 2024

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Deferred income	325,666	303,061
Deferred tax liabilities	329,187	355,356
Lease liabilities	16,394	31,250
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Total non-current liabilities	671,247	689,667
	<hr/>	<hr/>
NET ASSETS	26,401,483	28,570,905
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EQUITY		
Equity attributable to owners of the parent		
Share capital	1,124,647	1,124,647
Reserves	25,276,836	27,446,258
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Total equity	26,401,483	28,570,905
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2023.

The Group recorded net current liabilities of RMB4,950,044,000 as at June 30, 2024. In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the long-term bank deposits in Chinese Mainland held by the Group, which amounting to RMB10,527,397,000, are freely convertible into cash, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to IAS 7 and IFRS 17	<i>Supplier Finance Arrangements</i>

The new and revised standards have had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their services and has five reportable operating segments as follows:

- the water products segment engages in manufacturing and sale of packaged drinking water;
- the ready-to-drink tea products segment engages in manufacturing and sale of ready-to-drink tea beverages;
- the functional drinks products segment engages in manufacturing and sale of functional beverages;
- the juice beverage products segment engages in manufacturing and sale of juice beverage products; and
- the other products segment engages in manufacturing and sale of agricultural products and other beverages.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, other income and gains, as well as head office and corporate expenses are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Six months ended June 30, 2024	Water products RMB'000 (Unaudited)	Ready-to- drink tea products RMB'000 (Unaudited)	Functional drinks products RMB'000 (Unaudited)	Juice beverage products RMB'000 (Unaudited)	Other products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 4)						
Sales to external customers	8,530,540	8,430,158	2,550,420	2,113,962	548,004	22,173,084
Segment results	2,743,339	3,717,407	1,050,251	499,172	158,587	8,168,756
<i>Reconciliation:</i>						
Interest income						543,827
Other unallocated income and gains						495,829
Corporate and other unallocated expenses						(1,026,659)
Finance costs						(39,438)
Profit before tax						<u>8,142,315</u>
Other segment information						
Depreciation and amortization	<u>441,972</u>	<u>448,404</u>	<u>141,759</u>	<u>140,882</u>	<u>36,244</u>	<u>1,209,261</u>

Six months ended June 30, 2023	Water products <i>RMB'000</i> (Unaudited)	Ready-to- drink tea products <i>RMB'000</i> (Unaudited)	Functional drinks products <i>RMB'000</i> (Unaudited)	Juice beverage products <i>RMB'000</i> (Unaudited)	Other products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue (note 4)						
Sales to external customers	10,442,008	5,286,470	2,457,528	1,685,600	590,819	20,462,425
Segment results	3,801,813	2,279,894	986,242	497,357	158,378	7,723,684
<i>Reconciliation:</i>						
Interest income						439,223
Other unallocated income and gains						461,299
Corporate and other unallocated expenses						(1,070,232)
Finance costs						(29,670)
Profit before tax						<u>7,524,304</u>
Other segment information						
Depreciation and amortization	<u>491,105</u>	<u>274,652</u>	<u>132,744</u>	<u>105,285</u>	<u>38,786</u>	<u>1,042,572</u>

Geographical information

Over 99% of the Group's revenue and operating profits are derived from customers based in Chinese Mainland and over 99% of the Group's identifiable assets and liabilities were in Chinese Mainland.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each six months ended June 30, 2024 and 2023.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>22,173,084</u>	<u>20,462,425</u>

The timing of the above revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

The performance obligation is satisfied upon delivery of goods and payment in advance is normally required, except for customers with credit terms, where payment is generally due within 30 days, and extended up to 90 days for major customers. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration.

The Group has no revenue contract that has an original expected duration of more than one year, thus management has applied the practical expedient under IFRS 15 and is not required to disclose the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold*	9,140,616	8,152,496
Depreciation of property, plant and equipment	1,310,254	1,233,533
Depreciation of right-of-use assets	52,287	52,496
Amortisation of intangible assets**	5,504	6,123
Loss on disposal of items of property, plant and equipment	4,611	2,140
Employee benefit expenses (including directors' and chief executive's remuneration):		
Wages and salaries	1,670,326	1,600,359
Pension scheme contributions, social welfare and other welfare***	307,258	234,732
Equity-settled share-based payment expenses	5,516	15,202
Research and development costs****	140,353	127,082
Expenses relating to short-term leases and leases of low-value assets	93,749	73,583
Provision of inventories	–	3,702
Impairment of trade receivables	9,905	7,714
Impairment of financial assets included in prepayments, other receivables and other assets	1,298	4,150
Fair value gains on financial assets at fair value through profit or loss	(4,727)	–

* Cost of inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amortisation of intangible assets for the reporting periods is included in administrative expenses in the interim condensed consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

**** Research and development costs include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current – the People’s Republic of China (the “PRC”)		
Charge for the period	2,087,358	2,180,135
(Overprovision)/underprovision in prior periods	(2,325)	1,303
Deferred	(182,297)	(432,555)
Total	<u>1,902,736</u>	<u>1,748,883</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the Group’s PRC subsidiaries is 25% unless subject to tax exemption set out below.

The statutory PRC enterprise income tax for the PRC subsidiaries is 25% for the period. According to the Announcement on the Continuation of the Corporate Income Tax Policy for the Grand Development of Western Region (Cai Shui [2020] No.23) jointly issued by the Ministry of Finance, the State Administration of Taxation and National Development and Reform Commission, enterprises located in the western region of the PRC with over 60% of the principal income generated from the encouraged business activities were entitled to a preferential income tax rate of 15% for 10 years from January 1, 2021 to December 31, 2030. Accordingly, certain subsidiaries located in the western region of the PRC are entitled to an income tax rate of 15% for the reporting periods.

Certain of the Group’s PRC subsidiaries are engaged in agriculture and entitled to the tax exemption on agricultural products.

Hong Kong profits tax

The statutory rate of Hong Kong profits tax was 16.5% for the reporting periods on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during the period.

7. DIVIDENDS

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Dividends declared by the Company	<u>8,434,850</u>	<u>7,647,597</u>

On May 21, 2024, the Company's shareholders approved 2023 final dividend of RMB0.75 for every share of the Company's 11,246,466,400 shares, in an aggregate amount of RMB8,434,850,000, of which amounting to RMB8,434,850,000 was included in "other payables and accruals". The dividend will be paid in August 2024.

On May 16, 2023, the Company's shareholders approved 2022 final dividend of RMB0.68 for every share of the Company's 11,246,466,400 shares, in an aggregate amount of RMB7,647,597,000.

The directors of the Company have determined that no dividend will be proposed in respect of the current interim period.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 11,245,206,063 (June 30, 2023: 11,243,168,674).

The impact of shares granted to employees in relation to employee share incentive scheme was included in the computation of dilutive earnings per share for the period ended June 30, 2024 and 2023. A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights.

9. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	641,281	506,235
91 to 180 days	49,361	28,158
181 to 365 days	12,552	12,628
	703,194	547,021

10. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and normally settled on terms of within 90 days.

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	1,768,626	1,598,162
91-180 days	54,583	130,883
181-365 days	28,439	28,910
Over 1 year	7,696	12,143
	1,859,344	1,770,098

11. EVENTS AFTER THE REPORTING PERIODS

The Group had no significant events after the reporting period up to the date of the approval of the unaudited interim condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2024. The interim condensed consolidated financial information is unaudited, but has been reviewed by the audit committee of the Board (the “**Audit Committee**”) and Ernst & Young, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

ECONOMIC ENVIRONMENT

In the first half of 2024, faced with an increasingly complex, severe and uncertain external environment, China’s economy has been generally stable and progressing steadily. According to the National Bureau of Statistics, the GDP for the first half of 2024 reached RMB61.7 trillion, representing a year-on-year increase of 5.0%. China’s consumer market showed a recovery and positive trend in the first half of the year, with total retail sales of consumer goods reached RMB23.6 trillion, representing a year-on-year increase of 3.7%, indicating the domestic demand is gradually releasing its potential as an important driver for economic growth.

The market potential of China’s soft beverage industry remains enormous, and the competition among brands is increasingly intense. As consumers’ demand for healthier beverages becomes more and more obvious, the market is also developing towards a direction that is more natural, healthier, and encourages innovation. Sugar-free tea, as a representative, has maintained rapid growth in recent years.

In the first half of 2024, the State Administration for Market Regulation has been soliciting opinions from society for its “Regulations on the Supervision and Management of Food Production and Business Enterprises to Implement the Main Responsibility of Food Safety (Draft for Comments) (食品生產經營企業落實食品安全主體責任監督管理規定(徵求意見稿))”. As regulatory agencies and consumers continue to pay attention to food safety and product quality, enterprises that have a sound food safety management system, implement sustainable supply chain management, and build a cadre of professional food talents will have a more obvious competitive advantage.

BUSINESS REVIEW

In the first half of 2024, the Group recorded a revenue of RMB22,173 million, representing an increase of 8.4% as compared with the corresponding period of last year, of which the revenue from packaged drinking water products decreased by 18.3% as compared with the same period of last year, accounting for 38.5% of the total revenue. The revenue from beverage products increased by 36.7% as compared with the same period of last year, accounting for 61.1% of the total revenue. The following table sets forth a breakdown of our revenue from each product category and their percentage of total revenue for the periods indicated:

Product Category	Six Months Ended June 30,					
	2024		2023		Change	
	Revenue (RMB million)	Percentage of total revenue	Revenue (RMB million)	Percentage of total revenue	Amount (RMB million)	Percentage
Packaged drinking water products	8,531	38.5%	10,442	51.0%	-1,911	-18.3%
Tea beverage products	8,430	38.0%	5,286	25.8%	3,144	59.5%
Functional beverage products	2,550	11.5%	2,457	12.0%	93	3.8%
Juice beverage products	2,114	9.5%	1,686	8.3%	428	25.4%
Other products (<i>Note</i>)	548	2.5%	591	2.9%	-43	-7.3%
Total	22,173	100.0%	20,462	100.0%	1,711	8.4%

Note: Other products primarily include other beverage products such as soda water beverage, sparkling flavored beverage, lemon juice beverages, coffee beverage, and agricultural products such as fresh fruits.

Packaged drinking water products

In January and February 2024, the Group recorded strong sales volume for packaged drinking water products, with revenue increasing by 19.0% compared with the same period of last year. However, since the end of February 2024, our brand and sales have been severely impacted in a negative way due to a surge of online attacks and malicious defamation against our Company and its founder. In the first half of 2024, revenue from packaged drinking water products of the Group was RMB8,531 million, representing a decrease of 18.3% as compared with the same period of last year, accounting for 38.5% of the total revenue.

Since March 2024, we have clarified the truth to the public through various means. On May 20, 2024, we posted an article entitled “Rumors and truths about Nongfu Spring and its founder Zhong Shanshan since February 25th | What is more important than traffic is the truth, is the fact-based judgment of right, wrong, good and evil” on our WeChat official account, in which we responded to and clarified relevant Internet rumors in a unified manner. Meanwhile, we took legal action to hold rumormongers accountable, with certain rumor-mongering accounts prosecuted by the appropriate administrative law-enforcement agencies, and the law-enforcement and judicial authorities have also launched legal proceedings against certain responsible entities with serious circumstances to pursue their liabilities.

In April 2024, we launched “Nongfu Spring” purified drinking water product. This is the first time we have returned the purified water market after 24 years of focusing on natural drinking water. Our purified water product is made of the same high-quality natural water sources as our natural water product, which is differentiated from most similar products on the market. The purified water product is packaged in 550ml bottles, using the same bottle design as the natural water product, and the labeling is in green, which contrasts strongly with the red one of the natural water product. We use the slogan “All Nongfu Spring comes from natural water sources (所有農夫山泉都來自天然水源)” to convey and reinforce to consumers the natural water source advantage of all our drinking water products, and make it clear to consumers the differentiated positioning of the two products by embodying “the green bottle is a bit sweet and the red bottle is healthier (綠瓶有點甜，紅瓶更健康)” on product communication posters, so as to satisfy the consumers’ diversified needs.

We continued to increase publicity efforts for our water sources, inviting consumers to visit our water sites across China, and people have been posting videos and articles to share their experiences of visiting Nongfu Spring’s water sources. From April to May, more than 200 video clips were posted by top vloggers, with a cumulative total of nearly 500 million exposures and more than 10 million interactions.

In January 2024, we launched a new 19-liter PET barreled “Nongfu Spring” natural drinking water product. This product is also derived from high-quality natural water sources, and the barrels made of PET material are disposable packages, which are safe and convenient with no barrel deposit is required, providing a better service experience for end customers and consumers.

During the Chinese New Year of 2024, we continued our tradition of launching an anniversary edition of zodiac version of natural mineral water (glass bottled) in Chinese year of “Dragon” and released an animated advertisement called “The Girl Who Dances with the Dragon (《舞龍少女》)”, touching the national sentiments and bringing good wishes to the hearts of the people.

In the first half of the year, we also launched a new product, “Nongfu Spring” edible ice, for highlighting the advantages of natural water sources with the product concept of “good water makes good ice (好水出好冰)”. Ice is made from water, the new form of edible ice has brought new vitality to “Nongfu Spring” brand, and opened up a new scenario for co-consumption of ice and beverages. Currently, “Nongfu Spring” edible ice has been launched in multiple convenience store chains in 14 cities across China, attracting many young consumers to try and experience the product and sharing it widely on new media.

Tea beverage products

In the first half of the year, the Group's tea beverage products continued to maintain rapid growth. During the Reporting Period, we recorded a revenue of RMB8,430 million, representing an increase of 59.5% as compared with the same period of last year, accounting for 38.0% of the total revenue.

“Oriental Leaf (東方樹葉)” continued to reinforce its identity of “Oriental Leaf – a Representative of Chinese Tea (東方樹葉中國茶)”. In March, “Longjing Spring Tea (龍井新茶)” for the spring season made its third return and continued to be recognized and loved by consumers, with the first batch of 50,000 cases sold out in 17 hours after going online, and the second batch sold out in just 1 hour across the entire network. At the same time, “Oriental Leaf (東方樹葉)” continued to enrich its 900ml pack size, introducing Oolong Tea and Black Oolong Tea flavors during the Spring Festival, and expanding more drinking occasions with the communication theme of “Drinking Tea Together in Chinese New Year (過年一起喝喝茶)”, so that more and more consumers will be attracted by Chinese tea.

“Tea π (茶π)” also launched a new flavor named “Jasmine Lemon Tea (茉莉花檸檬茶)” in the first half of the year. Along with the launch of the new flavor, “Tea π (茶π)” continued to tell the brand stories about the bottle illustrations, and carried out the “Tea π New Arrival (茶π上新)” themed traveling exhibition in the landmark shopping districts of nine cities including Shanghai, Hangzhou, Nanjing, Shenzhen, Guangzhou, Wuhan, Chongqing, Xi'an, and Chengdu, which was closely associated with the “Flying Adventure (飛行奇遇)” story on the bottle of the new flavor, with more than 5 million people participated. The new flavor deepened the public's perception of “Tea π (茶π)” as a fruit-flavored tea category, and reinforced the illustrated stories of “Tea π (茶π)” through field activations to enhance the brand value.

Functional beverage products

During the Reporting Period, the Group recorded a revenue from functional beverage products of RMB2,550 million, representing an increase of 3.8% as compared with the same period of last year, accounting for 11.5% of the total revenue.

During the Reporting Period, “Scream (尖叫)” launched successfully launched two new flavors, milk calcium type and theanine type, injecting new vitality into the brand's 20th anniversary classic packaging. It also penetrated into the sports community in colleges and universities to enhance the brand's sports image through activities such as the “Scream New Flavors on the Court (尖叫新口味上場)” basketball campus tour sampling, providing consumers with more product choices.

“Victory (力量帝)” Vitamin Water launched a rainbow vitamin-themed promotion and collaborated with the well-known IP Color Run 2024 to provide vitamin supplements to young people who love outdoor sports. Meanwhile, for the third year, it organized the “V-Break Dance Battle (VBD國際街舞大賽)”, working with street dancers to continuously promote the trendy and energetic brand attributes within the street dance circle.

Juice beverage products

Our juice beverage products have been revitalized through product innovation and upgrades. During the Reporting Period, we recorded a revenue of RMB2,114 million, representing an increase of 25.4% as compared with the same period of last year, accounting for 9.5% of the total revenue.

During the Reporting Period, the “Farmer’s Orchard (農夫果園)” completed the upgrading and return of its classic products including 100% tomato mixed fruit and vegetable juice and 100% carrot mixed fruit and vegetable juice, in line with the current development trend of cleaner and healthier juice products. The formula, raw materials, and process have all been upgraded. No sugar or any additives are added, with 0 fat, 0 artificial flavors, 0 preservatives and 0 artificial colors, the upgraded classic products have gained keen attention and love from new and old consumers since their launch for responding to consumers’ expectations with better and healthier products.

The “Water Soluble C100 (水溶C100)” blended juice beverage launched a new blood orange (血橙) flavor in February to expand the product flavor matrix and a Vitamin C-themed promotion has also been initiated. Each bottle of “Water Soluble C100 (水溶C100)” contains more than or equal to 100mg of Vitamin C, meeting the daily requirement for an adult, and the blood orange flavor representing the sunshine and fragrance brings vitality to the new year.

Other products

During the Reporting Period, we have continued with our strategy of focusing on the core items. Other products (mainly including soda water beverage, sparkling flavored beverage, lemon juice beverages, coffee beverage, as well as agricultural products such as fresh fruits etc.) recorded a revenue of RMB548 million, representing a decrease of 7.3% as compared with the same period of last year, accounting for 2.5% of the total revenue.

The “TANBING (炭欠)” coffee launched the sugar-free classic black coffee in 900ml large-sized bottle in January at a recommended retail price of RMB9.9, with its selling point of value for money. The product, with 0 sugar, 0 calories, 0 fat, 0 artificial flavors, and 0 instant coffee powder, low in acidity and slightly bitter, was made from dark roasted coffee beans produced by Nongfu Spring’s own coffee roasting factory. The launch of the product further expanded the “TANBING (炭欠)” sugar-free black coffee product matrix and strengthened our brand image as a “sugar-free black coffee expert”.

Outlook

Due to the online public opinions in the first half of the year, the Group’s brand reputation and sales of packaged drinking water products has been adversely impacted. Nevertheless, we are confident and capable to embrace opportunities and meet challenges with our incomparable comprehensive strength and unwavering commitment to the path of righteousness. On 10 August 2024, Mr. Zhong Shanshan, the founder of the Group, attended the CCTV program “Dialogue”, responded to many controversial topics in public opinion, and shared the long-term sustainable business philosophy Nongfu Spring has been unswervingly devoted to, which covered construction at water sources, support to agriculture development and fulfillment

of social responsibilities. This episode of program displayed a lowprofile and down-to-earth entrepreneur Mr. Zhong Shanshan, with his farsightedness, perseverance, idealism and pragmatism receiving positive feedback from the audience, therefore demonstrating the image of Nongfu Spring in staying objective and truthful to the public. In the future, we will continue to strengthen brand building, enhance the publicity on our water sources and make improvements and innovations to beverage products continuously, further develop and consolidate our dual growth engine of water and beverages, in order to continuously strengthen the brand foundation of Nongfu Spring and its competitive advantages, and adhere to the concept of “healthy and natural”, constantly striving for excellence and innovation, to provide consumers with better products and services. For those corporations and individuals who spread rumors and slandered Nongfu Spring, we will firmly take legal actions, standing up for the justice without wavering.

FINANCIAL REVIEW

Revenue and Gross Profit

During the Reporting Period, the Group recorded a revenue of RMB22,173 million, representing an increase of 8.4% as compared with RMB20,462 million in the first half of last year; gross profit was RMB13,032 million, representing an increase of 5.9% as compared with RMB12,310 million in the first half of last year. During the Reporting Period, the Group’s gross profit margin decreased by 1.4 percentage points from 60.2% in the corresponding period of last year to 58.8%, which was mainly due to the effect of the promotion of purified drinking water products newly launched to market, the increased share of fixed costs resulting from the decreased sales of packaged water products, and the increase in the prices of the raw materials of juice.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB4,971 million, representing an increase of 5.9% as compared with RMB4,695 million in the first half of last year. During the Reporting Period, the advertising and promotion expenses increased as compared with the corresponding period of last year, while logistics costs declined due to the change of segment sales structure, and therefore, the selling and distribution expenses accounted for 22.4% of the total revenue, representing a decrease of 0.5 percentage point as compared with 22.9% in the first half of last year.

Administrative Expenses

During the Reporting Period, the administrative expenses of the Group amounted to RMB913 million, representing a decrease of 4.8% as compared with RMB959 million in the first half of last year. Administrative expenses accounted for 4.1% of the total revenue, representing a slight decrease of 0.6 percentage point as compared with 4.7% in the first half of last year.

Other Income and Gains

During the Reporting Period, other income and gains of the Group amounted to RMB1,040 million, representing an increase of 15.4% as compared with RMB901 million in the first half of last year, and accounting for 4.7% of the total revenue, which was mainly due to the increase in the interest income from term deposits. During the Reporting Period, exchange gains amounted to approximately RMB25 million. As of June 30, 2024, the Group held HK\$1,553 million, US\$475 million and a small amount of other foreign currencies, which slightly increased as compared with HK\$1,478 million, US\$450 million and a small amount of other foreign currencies held on December 31, 2023.

Finance Costs

During the Reporting Period, the finance costs of the Group slightly increased from RMB30 million in the corresponding period of last year to RMB39 million.

Profit for the Period

As a result of the aforementioned changes, the profit of the Group during the Reporting Period increased by 8.0% from RMB5,775 million in the first half of last year to RMB6,240 million.

Dividends

The distribution of a final cash dividend of RMB0.75 per share (tax inclusive, totaling approximately RMB8,435 million) for the year ended December 31, 2023 was approved at the 2023 annual general meeting of the Company on May 21, 2024, which will be distributed on August 28, 2024 to shareholders whose names appear on the register of members of the Company on Saturday, May 25, 2024.

The Board resolved not to declare an interim dividend for the six months ended June 30, 2024.

Long-term Bank Deposits, Pledged Deposits, Cash, Bank Balances and Borrowings

As of June 30, 2024, the sum of long-term bank deposits, pledged deposits, cash, and bank balances of the Group amounted to RMB27,136 million, representing an increase of 5.8% as compared with RMB25,639 million as of December 31, 2023. The total credit facility of the Group was RMB18,240 million and interest-bearing borrowings amounted to RMB3,857 million as of June 30, 2024, representing an increase of 23.6% as compared with RMB3,121 million as of December 31, 2023, with due repayment of a total amount of RMB7,983 million as of June 30, 2024. All of the borrowings are denominated in RMB. Among the total borrowings as of June 30, 2024, no borrowings were charged at a fixed interest rate (not including discount of bank acceptance bills). The Group does not have any interest rate hedging policy.

Inventories

During the Reporting Period, due to the increase in raw materials inventory at the end of the period as a result of production stocking, inventories of the Group increased from RMB3,092 million as at December 31, 2023 to RMB3,337 million as at June 30, 2024. Inventory turnover days increased from 55.0 days as at December 31, 2023 to 64.2 days as at June 30, 2024.

Trade and Bills Receivables

Trade and bills receivables of the Group increased from RMB547 million as of December 31, 2023 to RMB703 million as of June 30, 2024. The turnover days of trade and bills receivables increased from 4.4 days in 2023 to 5.1 days in the first half of 2024.

Trade and Bills Payables

Trade and bills payables of the Group increased from RMB1,770 million as of December 31, 2023 to RMB1,859 million as of June 30, 2024. The turnover days of trade and bills payables increased from 33.8 days in 2023 to 36.2 days in the first half of 2024.

Gearing Ratio

As at June 30, 2024, the gearing ratio of the Group (equaling (interest-bearing borrowings + lease liabilities)/equity) was 14.9% (during the Reporting Period, the Group has no minority equity), representing an increase as compared with the gearing ratio of the Group as at December 31, 2023 being 11.2%, mainly due to our increased use of bills receivable financing.

As at June 30, 2024, the Group recorded net current liabilities of RMB4,950 million, which was mainly due to our increase in long-term (over one year) time deposit arrangements. As of June 30, 2024, the Group had long-term bank deposits of RMB10,527 million in Chinese Mainland, representing a significant increase as compared with that of RMB1,511 million as at December 31, 2023, among which, RMB10,527 million in cash certificate of deposits could be freely converted into cash as and when appropriate.

Treasury Policy

The Group adopts a prudent financial management approach for its treasury policy to ensure that the Group's liquidity structure comprising assets, liabilities and other commitments is able to always meet its capital requirements.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

There have been no material events of the Group from June 30, 2024 until the date of this report.

FOREIGN EXCHANGE RISK

As of June 30, 2024, the Group held HK\$1,553 million, US\$475 million and a small amount of other foreign currencies. As of the date of this report, the exchange rates of the U.S. dollar and the Hong Kong dollar against RMB have both increased, and we need to monitor the further trends in the foreign exchange market. The Group will closely monitor our foreign exchange risks and will utilize appropriate financial instruments for hedging purposes when necessary to help reduce foreign exchange risks.

CONTINGENT LIABILITIES

As of June 30, 2024, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

Capital commitments of the Group amounted to approximately RMB5,708 million as at June 30, 2024, mainly used for construction of production plants and purchase of production equipment.

PLEDGE OF ASSETS

As at June 30, 2024, no assets of the Group were pledged by the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

On December 31, 2023, the Company entered into an investment agreement (the “**Investment Agreement**”) with the People’s Government of Jiande City, Zhejiang Province in relation to the “Nongfu Spring Jiande Drinking Water and Beverage Comprehensive Industrial Base Project” (the “**Project**”). Pursuant to the Investment Agreement, the Company intends to invest an amount of RMB5 billion on the Project. Details of the Project please refer to the announcement of the Company dated December 31, 2023 in relation to the Disclosable Transaction – Entry into the Investment Agreement with the People’s Government of Jiande City. The investment project aims to enable the Company to continue to leverage the high-quality natural water resources of Thousand-island Lake to further expand production capacity, thereby improving the overall competitiveness and investment return of the Group. As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the investment amount of the Project under the Investment Agreement is more than 5% but less than 25%, the entry into of the Investment Agreement constitutes a disclosable transaction and is subject to the reporting and announcement requirements, but exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules. During the Reporting Period, the Company has established its wholly-owned subsidiary Nongfu Spring (Jiande Genglou) Beverage Company Limited (農夫山泉(建德更樓)飲料有限公司) (the “**Project Company**”) in Jiande City, which engages in the manufacturing of beverages and food sales, with a registered capital of RMB50 million, which is fully paid-up during the Reporting Period. There were no realised and unrealized gains or losses or any dividends received from the Project during the Reporting Period. As at June 30, 2024, the assets of the Project accounted for less than 0.12% of the total assets of the Company. Depending on the subsequent progress of the Project, if it constitutes a significant investment under the Listing Rules, the Company will make disclosures in its interim and/or annual report in accordance with the requirements of the Listing Rules.

Save as disclosed above, as of June 30, 2024 and up to the date of this announcement, the Group did not have any significant investments, or any material acquisition or disposal of any relevant subsidiaries, associates and joint ventures.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this report, save for the “Future Plans and Use of Proceeds” disclosed in the prospectus issued by the Company on August 25, 2020 (the “**Prospectus**”) and events disclosed in “Significant Investment, Material Acquisition And Disposal” in this report, the Group did not have any existing plan for acquiring other material investments or capital assets.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at June 30, 2024, the total number of employees of the Group (including the Company and its subsidiaries) exceeded 20,000. During the Reporting Period, the total employee benefit expenses (including directors’ remuneration) amounted to RMB1,983 million. We always believes that long-term growth of the Group depends on the expertise, skill improvement and continuous growth of our employees. We continue to optimize the talent selection and cultivation system in order to improve the general competitiveness of our employees and deepen their cultural identity and sense of belongings to the Group. The overall remuneration policy of the Group is highly competitive in the market and internally fair. The remuneration and benefits for employees are determined with reference to the market standards as well as individual qualification and experience, and performance bonus and other incentive systems are established. We strive to achieve the year-on-year increase in employee income and a win-win situation for both the organizational and individual development through continuous improvement in productivity. We continue to implement incentive mechanisms such as performance bonuses, which are awarded in accordance with the Group’s financial targets, the performance of the organization in which the employee belongs and the individual performance, in order to recognize and motivate organizations and individuals who have made outstanding contributions to the Group’s business, fully reflecting the performance orientation and facilitating the sustainable development of the enterprise.

In order to improve the Company’s incentive mechanism, retain key employees and promote sustainable growth of the Company’s performance, as approved in the extraordinary general meeting held in January 14, 2022, the Company has adopted the employee share incentive scheme in 2022 to incentivize management personnel and core technical experts who play an important role in the Group’s business performance and future development. According to the employee share incentive scheme, the maximum number of H Shares that the trustee can acquire and hold from time to time under the employee share incentive scheme throughout the duration of the employee share incentive scheme shall not exceed 5% of the total issued share capital of the Company as at the date of adoption, and without the approval by a special resolution at the general meeting, the total number of H shares of the Company obtained by any scheme participant through the employee share incentive scheme shall not exceed 1% of the total share capital of the Company.

In March 2022, the awards granted by the Company according to the employee share incentive scheme correspond to 6,636,400 H shares of the Company, accounting for 0.059% of the total issued shares of the Company and 0.1318% of the issued H shares of the Company. Pursuant to the provisions of the employee share incentive scheme, the grant price under the grant of the awards is 30% of the average closing price of the Company's H shares in the 120 Hong Kong trading days before the grant date, being HK\$13.22 per award share, which has been fully paid by each of the scheme participants before April 15, 2022. The 108 scheme participants in the grant include Mr. Xiang Xiansong, Mr. Rao Minghong, Ms. Han Linyou, the directors of the Company, and Mr. Liu Xiyue, the supervisor of the Company, in which, the awards granted to Mr. Xiang Xiansong correspond to 108,000 H shares of the Company, the awards granted to Mr. Rao Minghong correspond to 99,000 H shares of the Company, the awards granted to Ms. Han Linyou correspond to 90,800 H shares of the Company, the awards granted to Mr. Liu Xiyue correspond to 99,000 H shares of the Company; and one employee of Yangshengtang Group, the awards granted correspond to 39,600 H shares of the Company (such employee made significant contributions to the construction of the information system of the Group during the participation in the connected transaction project where Yangshengtang Group provided IT services to the Group and was transferred to the Group in 2023). The remaining 103 scheme participants are all employees of the Group, excluding the Directors, Supervisors, other connected persons of the Company and shareholders registered in the register of members of the Company on the day before the listing of the Company's H Shares (being September 7, 2020). The employee share incentive scheme is valid for 10 years, and as of the date of this report, the validity period of the employee share incentive scheme has about 7 years left.

In April 2022, among the granted awards, 2,610,000 awards have met the conditions for the first tranche vesting and belonged to the corresponding scheme participants, while the remaining 44,184 awards that did not meet the vesting conditions have become forfeit shares. For details, please refer to the relevant content in the 2021 and 2022 annual reports of the Company.

In April 2023, among the granted awards, 1,708,200 awards have met the conditions for the second tranche vesting and belonged to the corresponding scheme participants, while 285,048 awards that did not meet the vesting conditions have become forfeit shares. In addition, 102,760 awards have become forfeit shares due to the resignation and demotion of relevant employees. For details, please refer to the relevant content in the 2023 annual report of the Company.

In April 2024, among the granted awards, 1,837,234 awards have met the conditions for the third tranche vesting and belonged to the corresponding scheme participants, while 19,692 awards that did not meet the vesting conditions have become forfeit shares. In addition, 29,282 awards have become forfeit shares due to the resignation and demotion of relevant employees.

As of the date of this announcement, out of the 6,636,400 awards granted by the Company under the employee share incentive scheme in 2022, an aggregate of 6,155,434 awards were vested and 480,966 awards were forfeited. The Company had instructed the trustee to sell the forfeit shares at the market price in the open market. The proceeds from the disposal of the forfeit shares, after repaying the self-owned capital contribution paid by the employees when subscribing for the granted awards, will be retained by the trustee and incorporated into the trust fund pool for further purchase of award shares during the implementation of the employee share incentive scheme in the future.

Particulars of the interests of the Directors and supervisors, connected entity participants and other employee participants in the award shares granted and vested are set out below:

Name/Class of scheme participants	Date of grant	Price of grant (HKD)	Number of awards granted (shares)	Vested date	Weighted average closing price prior to vesting date during the Reporting Period (HKD) (note 1)	Remaining vesting date	Number of awards unvested as at January 1, 2024 (shares)	Number of awards vested during the Reporting Period (shares)	Number of awards forfeited during the Reporting Period (shares) (note 2)	Number of awards unvested as at June 30, 2024 (shares)
Xiang Xiansong (Director)	March 29, 2022	13.22	108,000		45.080		32,400	32,400	0	0
Rao Minghong (Director)	March 29, 2022	13.22	99,000		45.080		29,600	29,600	0	0
Han Linyou (Director)	March 29, 2022	13.22	90,800		45.080		27,368	27,368	0	0
Liu Xiyue (Supervisor)	March 29, 2022	13.22	99,000	April 29, 2022, April 28, 2023 and April 30, 2024	45.080		29,630	29,630	0	0
Five individuals with highest emoluments during the Reporting Period	March 29, 2022	13.22	132,600		45.080	Nil	39,800	39,800	0	0
Connected entity participants (note 3)	March 29, 2022	13.22	39,600		45.080		12,012	12,012	0	0
Other employee participants in aggregate	March 29, 2022	13.22	6,067,400		45.080		1,715,398	1,666,424	48,974	0
Total		-	-		-		1,926,008	1,877,034	48,974	0

Name/Class of scheme participants	Date of grant	Price of grant (HKD)	Number of awards granted (shares)	Vested date	Weighted average closing price prior to vesting date during 2023 (HKD)	Remaining vesting date as of December 31, 2023	Number of awards unvested as at January 1, 2023 (shares) (note 4)	Number of awards vested during 2023	Number of awards forfeited during 2023 (shares)	Number of awards unvested as at December 31, 2023 (shares)
Five individuals with highest emoluments during 2023 (including Director(s) and/or Supervisor(s))	March 29, 2022	13.22	365,800	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	April 30, 2024	219,400	109,800	0	109,600

Notes:

- (1) The closing price of the Company's shares immediately prior to April 30, 2024, i.e. on April 29, 2024.
- (2) The forfeit shares during the Reporting Period will be cancelled directly and disposed at the market price in the open market by the trustee under the instructions of the Company. The proceeds from the disposal of the forfeit shares, after repaying the self-owned capital contribution paid by the employees when subscribing for the granted shares, will be retained by the trustee and incorporated into the trust fund pool for further purchase of award shares during the implementation of the employee share incentive scheme in the future. There was no awards lapsed during the Reporting Period.
- (3) The employee was originally an employee of Yangshengtang Group and was re-designated to the Group in 2023.
- (4) For all classes of scheme participants, the total number of awards unvested as at January 1, 2023 was 3,982,216, the number of awards vested during 2023 was 1,708,200 and the weighted average closing price of the award shares immediately before the dates on which the awards were vested during 2023 was HKD45.080. The number of forfeit shares equaled to the number of awards cancelled and there was no awards lapsed during 2023.

During the Reporting Period, the Company did not grant any awards.

USE OF PROCEEDS FROM THE LISTING

From September 8, 2020 (the “**Listing Date**”) to June 30, 2024, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the Prospectus. The sum of IPO proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the net proceeds from the full exercise of the over-allotment option (after deducting underwriting fees and other related expenses) is approximately HK\$9,377 million. As of June 30, 2024, the Group has utilised approximately HK\$4,901 million of the proceeds for the intended purposes set out in the Prospectus published by the Company, accounting for 52.26% of all raised funds, and the remaining unutilised proceeds are approximately HK\$4,476 million. The balance of the proceeds from the Listing will continue to be utilised according to the purposes and proportions disclosed in the Prospectus. See the table below for details:

	Net proceeds from the Listing available (HK\$ million)	Actual net amount utilised up to June 30, 2024 (HK\$ million)	Unutilised net amount up to June 30, 2024 (HK\$ million)	Expected timeline for fully utilising unutilised net amount (note)
Brand building	2,344	1,003	1,341	December 31, 2026
Purchasing sales equipment	2,344	371	1,973	December 31, 2026
Purchasing production facilities and building new factories	1,875	1,439	436	December 31, 2026
Strengthening fundamental capabilities	938	212	726	December 31, 2026
Repaying loans	938	938	0	N/A
Working capital and other general corporate purposes	938	938	0	N/A
Total	<u>9,377</u>	<u>4,901</u>	<u>4,476</u>	December 31, 2026

Note:

According to the 2023 annual report published by the Company on April 18, 2024, the balance of the proceeds from the Listing will continue to be utilised according to the purposes and proportions disclosed in the Prospectus. The expected timeline for utilizing unutilised net proceeds is December 31, 2024. Due to the uncertainty of economic recovery in the post epidemic era and the evolution of the new geopolitical situation, which had certain impact on the Group’s operating environment, the Group has adopted a steady and prudent development strategy in business expansion and utilization of proceeds from the Listing. As a result, the overall progress of the Group’s utilization of proceeds from the Listing has been delayed. At the same time, thanks to the implementation of a prudent business strategy, the Group maintained a relatively sufficient cash flows and continue to utilize its self-owned capital for development of brand building and purchase of sales equipment. In this regard, following the principle that is in the best interest of the Company and shareholders as a whole, the Board has approved the gradual utilization of proceeds from the Listing by the Company prior to December 31, 2026 for the purpose as disclosed in the Prospectus depending on the market environment.

The Board is of the view that the extension of the expected timetable for the utilization of the proceeds from the Listing will not have any material adverse impact on the existing business and operations of the Group, and there is no change in the utilization of the proceeds from the Listing, which is in the best interest of the Company and shareholders as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the Company and its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and Corporate Governance Code and Corporate Governance Report in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors (Mr. Stanley Yi Chang, Mr. Yang, Lei Bob and Mr. Lu Yuan) of the Company. Mr. Stanley Yi Chang is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim results for the six months ended June 30, 2024, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim results for the six months ended June 30, 2024 are unaudited, but have been reviewed by Ernst & Young, the independent auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the best practices on corporate governance, and had complied with all the code provisions as set out in the Corporate Governance Code since the January 1, 2024 and up to the date of this interim results announcement, save for the deviations from the code provision C.2.1 under Part 2 of the Corporate Governance Code disclosed below.

Pursuant to code provision C.2.1 under Part 2 of the Corporate Governance Code, the roles of chairman of the board and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Zhong Shanshan is the Chairman of the Board and General Manager of the Company. As the founder of the Group, Mr. Zhong Shanshan has extensive experience in the drinking water and soft beverage industry and is responsible for the overall management of the Company’s business strategies and operations. He has been mainstay to the growth and business expansion of the Group since the Company’s establishment in 1996. The Board is of the view that vesting both roles of Chairman and General Manager in Mr. Zhong Shanshan is beneficial to the management of the Company.

In addition, the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently consists of five executive Directors (including Mr. Zhong Shanshan), one non-executive Director and three independent non-executive Directors. Therefore, we believe that the composition of senior management and the Board has a fairly strong independence element.

The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the business strategies of the Group and maximizes effectiveness of its operation.

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) under Appendix C3 to the Listing Rules to work out the Regulations on Securities Transactions by Directors, Supervisors and Related Employees. All Directors and Supervisors have confirmed, following specific enquiry by the Company, that they have complied with the requirements for securities transactions of directors and supervisors set out in the Model Code during the Reporting Period.

DISCLOSURE OF INFORMATION

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.nongfuspring.com>), and the interim report for the six months ended June 30, 2024 of the Company will be published on the aforementioned websites and dispatched to the shareholders of the Company who wish to receive a printed communication in due course.

By order of the Board
Nongfu Spring Co., Ltd.
Zhong Shanshan
Chairman

Hong Kong, 27 August, 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhong Shanshan, Ms. Wu Limin, Mr. Xiang Xiansong, Mr. Rao Minghong and Ms. Han Linyou as executive directors; Mr. Zhong Shu Zi as non-executive director; Mr. Stanley Yi Chang, Mr. Yang, Lei Bob and Mr. Lu Yuan as independent non-executive directors.