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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)

**(I) PROPOSED ADOPTION OF THE EMPLOYEE
SHARE INCENTIVE SCHEME;
(II) PROPOSED AUTHORIZATION OF THE BOARD TO
HANDLE MATTERS PERTAINING TO THE EMPLOYEE
SHARE INCENTIVE SCHEME; AND
(III) AMENDMENTS OF DIRECTORS' AND SUPERVISORS'
SERVICE AGREEMENTS**

INTRODUCTION

On 13 December 2021, the Board has resolved to propose the adoption of the Employee Share Incentive Scheme, pursuant to which the Board shall select the Scheme Participants and determine the number and conditions of Award(s) to be granted. The Award Share(s) underlying the Award(s) shall be purchased from the open market at the prevailing market price by the Trustee as a Qualified Agent.

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 Adoption Date.

The Board has proposed to act as the executive body of the Scheme and be responsible for its implementation and administration upon seeking approval from the Shareholders at the EGM.

Further, the Board has proposed to make certain amendments to the Directors' and Supervisors' service agreements.

IMPLICATIONS UNDER THE LISTING RULES

The Employee Share Incentive Scheme involves no issue of new shares or granting of option for any new securities of the Company. Thus, it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

Subject to the approval of the proposal for the amendments of the Directors'/Supervisors' service agreements in the EGM and the actual revision being effective, the Grant to the Directors (except independent non-executive Directors) and Supervisors will be exempt from the notification, announcement and independent shareholder approval requirements under Rules 14A.73 (6) and 14A.95 of the Listing Rules.

EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the Employee Share Incentive Scheme; (ii) the proposed authorization of the Board to handle matters pertaining to the Employee Share Incentive Scheme; and (iii) amendments of Directors' and Supervisors' service agreements.

A circular of the Company containing, among other things, (i) further details of the proposed adoption of the Employee Share Incentive Scheme; (ii) the proposed authorization of the Board to handle matters pertaining to the Employee Share Incentive Scheme; (iii) further details of the amendments of Directors' and Supervisors' service agreements; and (iv) a notice convening the EGM, will be despatched to the Shareholders in due course.

1. PROPOSED ADOPTION OF THE EMPLOYEE SHARE INCENTIVE SCHEME

The Board has proposed to adopt and approve the Employee Share Incentive Scheme and an ordinary resolution will be proposed at the EGM. The Scheme shall be effective upon the approval of the Scheme by the Shareholders at the EGM.

(a) Purpose of the Employee Share Incentive Scheme

The purpose of the Employee Share Incentive Scheme is:

- (i) to keep the interests of our employees, Shareholders, investors and the Company aligned;
- (ii) to promote sustainable growth of the Company's performance and achieve a balance between long-term growth and short-term performance goals;
- (iii) to improve the Company's incentive mechanism and stimulate the employees' innovation and passion; and
- (iv) to retain key employees and enhance the Company's ability to attract new talents.

(b) Source of Award Share(s)

The Board shall entrust a Qualified Agent to act as the Trustee under the Scheme. The Board may, initiate an irrevocable instruction to the Trustee stipulating the maximum amount of H Shares that may be acquired through China Stock Connect, which will be determined with reference to (i) the Company's performance and cash flow of the year; and (ii) the employees' fulfilment of the performance target of the year. The Trustee will then, within reasonable period, purchase the H Shares on market at the appropriate time.

(c) Scope of the Scheme Participants

Scheme Participants shall include management personnel and core technical experts, including (i) the Directors, Supervisors and employees of the Group; and (ii) certain number of employees of Yangshengtang Group who make significant contributions to the Group in the projects and cooperations between the Group and Yangshengtang Group, who play an important role in the Group's business performance and future development. The Directors believe that including the participants as mentioned above in the Scheme will help stimulate their innovation and passion, and encourage them to devote more efforts in providing services to the Group, which is in the interests of the Company and Shareholders as a whole.

A person shall not be considered as an eligible Scheme Participant if he/she:

- (i) is an independent non-executive Director, a Shareholder who individually or jointly hold over 5% of the Shares or is the ultimate beneficial owner of the Company, or the spouses, parents or children of such person;
- (ii) has been publicly censured or declared as an ineligible candidate by securities regulatory institutions in the last three years;
- (iii) has been imposed with administrative penalties by securities regulatory institutions in the last three years due to material non-compliance of laws or regulations;
- (iv) is prohibited from acting as a Director or a member of the senior management of the Company as required by the Company Law;
- (v) is prohibited from participating in the Employee Share Incentive Scheme as required by laws and regulations;
- (vi) has committed other material violation of relevant requirements of the Company or caused material damage to the interest of the Company as determined by the Board; or
- (vii) any other circumstances prescribed by the Board for the purpose of safeguarding the Company's interests and ensuring the compliance of applicable laws and regulations relating to the operation of the Scheme.

The Board shall have the right to review and determine the eligibility of the Scheme Participants, determine the list of Scheme Participants and the number of Award(s) to be granted to each Scheme Participant.

(d) Duration of the Employee Share Incentive Scheme

Subject to any early termination of the Scheme pursuant to the relevant Scheme Rules, the Scheme shall be valid and effective for 10 years commencing from the Adoption Date (which is the day on which the Scheme is approved by the Shareholders at the EGM). The occurrence of any circumstances stipulated in the paragraph headed “Termination” which may cause the early termination of the Scheme shall not affect the subsisting rights of any Scheme Participants.

(e) Conditions of the Grant

Upon the satisfaction of the following conditions, the Company may grant Award(s) to the Scheme Participants according to the Employee Share Incentive Scheme:

- (i) none of the following specified events, among others, has occurred, including the issuance of a negative opinion or the inability to issue an opinion towards the Company’s audit reports; the Supervisors have not raised any material objection towards the Company’s business performance or financial report; and
- (ii) none of the specified events or matters pertaining to any Scheme Participant of the Employee Share Incentive Scheme which have affect the eligibility of such participant has occurred.

In addition to the above conditions, the Board shall designate appropriate business performance target and employees’ performance targets. Upon the satisfaction of the conditions of the Grant, the business performance and employees’ performance targets, the Board shall grant the appropriate quantity of Award(s) to the relevant Scheme Participants. The relevant Scheme Participants may elect to purchase all or portion of the Award(s) or elect not to purchase any Award(s) at the time of grant.

(f) Maximum Grant

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 Adoption Date.

The total number of H Shares to be obtained by any Scheme Participant under the Scheme shall not exceed 1% of the total share capital of the Company unless approved by way of special resolution at the general meeting.

(g) Grant Date

Grant Date shall be determined by the Board upon having the Scheme considered and approved by the Shareholders at the EGM and the satisfaction of the conditions for the Grant. The Board shall conduct ongoing assessments against the Scheme Participants and upon satisfaction of all the relevant conditions for the Grant, the Board shall determine appropriate Grant Date(s) and arrange the granting of Award(s) accordingly.

The determination of the Grant Date(s) shall be in compliance with the relevant rules and regulations including the Listing Rules, and that it shall not pose any material risks to the Company (including but not limited to compliance risks).

(h) Grant Price

The Board shall determine the Grant Price based on 30% of the average closing price of the H Shares in the 120 Hong Kong Trading Days immediately prior to the Grant Date.

(i) Source of Funds

The Scheme Participants shall purchase the Award(s) with his/her own funds on the Grant Date.

(j) Vesting and Redemption of the Award Share(s)

In order to achieve long-term incentive effect, the Board shall exercise its discretion to stipulate appropriate vesting conditions. If any Scheme Participant fails to fulfil the vesting conditions applicable to the relevant Award(s), all the Award(s) which may otherwise be vested during the respective vesting periods shall not be vested and become immediately forfeited with respect to such Scheme Participant, and the relevant underlying Award Share(s) shall become Forfeit Share(s). In this case, the Company shall give Forfeit Notice to the Trustee, and the Trustee shall then sell the Forfeit Share(s) on the open market at the market price within reasonable period upon reception of the Forfeit Notice. The amount of proceeds from the sales of Forfeit Share(s) equivalent to the respective Grant Price paid by the Scheme Participants shall be returned to the respective Scheme Participants whose Award(s) were forfeited, with the remaining of proceeds (if any) to be retained by the Trustee and be included into the pool of the Trust fund for further acquisition of Shares during the implementation of the Employee Share Incentive Scheme.

The relevant Scheme Participant may instruct the Trustee through the Company to sell the Award Share(s) underlying the Award(s) on the market and redeem the amount of cash return generated from the respective Award Share(s) pursuant to the principles as set out in the Scheme Rules. The relevant Scheme Participant shall bear the taxes and other expenses incurred in relation to the sale and appreciation of the Award Share(s).

(k) Limitations

A Grant or any instruction from the Board to the Trustee to acquire or sell H Shares may not be made after a price sensitive event or inside information has occurred or a price sensitive matter or inside information has been the subject of a decision until such price sensitive information or inside information has been published in accordance with the Listing Rules. In particular, during the period preceding the publication of financial results in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results, no Grant may be made to directors or Connected Persons, and the Board shall not give any instruction to the Trustee to purchase or sell the H Shares.

Upon the sale or purchase of Award(s) by core Connected Person, such core Connected Person shall comply with restrictive requirements under relevant laws and regulations, including but not limited to the absence of restrictions on inside information and compliance with the restrictions (if any) in the number of Shares to be sold.

(l) Termination

In the event of termination, any ungranted Award(s) shall lapse and the Award Share(s) underlying the lapsed Award(s) shall be sold on the market by the Trustee. The Scheme shall terminate upon the occurrence of any of the following circumstances:

- (i) the issuance of audit report on the Company's financial and accounting report for the most recent financial year by a certified public accountant in which it gives a qualified opinion or indicates that it is unable to give an opinion;
- (ii) the imposition of administrative penalties by relevant securities regulatory authorities or other competent departments due to material non-compliance of the Company; or
- (iii) the prohibition of the implementation of the Employee Share Incentive Scheme imposed by laws and regulations.

(m) Voting Rights and Dividends

Neither the Scheme Participant nor the Trustee may exercise any voting rights attached to any H Shares held by the Trustee under the Trust.

Any dividends paid to the Award Share(s) underlying the unvested Award(s) shall belong to the Scheme Participants when the Award(s) are yet to be vested (except for those Award(s) that are forfeited) and be paid to the Scheme Participants at the time of vesting.

(n) Issuance of Share Capital and Rights of Shares

During the term of the Scheme, if the Company issue H Shares or other securities to the Shareholders for subscription by way of rights options, options or warrants, the Trustee may, exercise, or take action to underwrite, purchase and/or subscribe for, any rights, options or warrants allocated to the Shares of the Company and held for purposes of implementing the Employee Share Incentive Scheme if no additional fund need to be paid for the subscription, otherwise, the Trustee shall not exercise such rights.

(o) Amendment to the Employee Share Incentive Scheme

The Board can revise the rules of the Employee Share Incentive Scheme as it considers necessary in accordance with applicable laws and regulations. Should there be discrepancies among the rules of the Employee Share Incentive Scheme, the relevant laws, regulations, agreements, or the Listing Rules, then the requirements of such relevant laws and regulations shall prevail.

The Board shall procure any required approval from the Shareholders or the Stock Exchange to amend or modify the rules of the Employee Share Incentive Scheme.

(p) The 2021 Employee Share Incentive Scheme

During the period from the date of approval of the Scheme in the EGM to 30 April 2022, the Company will initiate the 2021 Employee Share Incentive Scheme, which is expected to grant Award(s) to not more than 120 individuals and shall not include Shareholders registered in the Company's register on the day before H Share listing of the Company (i.e. 7 September 2020). The 2021 Employee Share Incentive Scheme shall be vested in the following schedule:

Vesting Arrangement	Vesting Time	Vesting Percentage
First Vesting Period	the last Trading Day in April 2022	40%
Second Vesting Period	the last Trading Day in April 2023	30%
Third Vesting Period	the last Trading Day in April 2024	30%

2. PROPOSED AUTHORIZATION TO THE BOARD TO HANDLE MATTERS PERTAINING TO THE EMPLOYEE SHARE INCENTIVE SCHEME

The Board proposed to grant the following authorization to the Board to act as the executive body of the Scheme and be responsible for its implementation and administration upon seeking approval from the Shareholders at the EGM:

- (i) to interpret the Employee Share Incentive Scheme and formulate specific implementation rules and take necessary measures to implement the scheme, including but not limited to, establishment of the Trust, examination of the eligibility of the Scheme Participants, determination of the specific Scheme Participants, determination of the conditions of the Grant, vesting conditions and Grant Price;

- (ii) to determine the number of selected Scheme Participants and the amount of Award(s) to be granted and to grant and vest Award(s) to the selected Scheme Participants upon satisfaction of the grant conditions and vesting conditions, and to deal with all matters necessary for the Grant and vest;
- (iii) to determine the maximum amount of the Award(s), Grant Date and Grant intervals;
- (iv) to formulate and adjust in its discretion based on the operation and management need of the Company (if necessary), the specific grant conditions, the vesting schedule, vesting conditions, vesting periods and expiration conditions of the Award(s), examine and verify whether the Company and the Scheme Participants have satisfied the grant and vesting conditions or expiration conditions of the Award(s), and do all matters necessary for the releasing or invalidation of the Scheme Participants, including the handling of expired Award(s);
- (v) to adjust the price of Award(s) pursuant to the provisions of the Employee Share Incentive Scheme upon conversion of capital reserve into Shares, issuance of bonus Shares, Shares subdivisions, Shares consolidation, allotment, or rights issue or issuance of additional Shares as stated under the Scheme;
- (vi) to handle the matters in relation to the Award(s) pursuant to the provisions of the Employee Share Incentive Scheme if special circumstances stated under the Scheme, such as resignation, retirement, work adjustment, disqualification in appraisal, dismissal and death occurs to the Scheme Participants;
- (vii) to adjust the Award(s) waived by the employee to the reserved portion;
- (viii) to determine the adjustments, suspension and termination of the Employee Share Incentive Scheme and obtain any approvals from the Shareholders' meeting and/or the relevant regulatory authorities necessary for such adjustments as required by law, regulation, or the relevant regulatory authorities;
- (ix) to complete necessary examination and approval, registration, filing, approval, consent and other procedures (if any) with relevant governments and authorities with respect to the Scheme; to execute, implement, amend and complete the documents submitted to relevant governments, authorities, organizations and individuals; and take all actions as it deems necessary, appropriate or advisable in connection with the Employee Share Incentive Scheme;
- (x) to sign, execute, amend and terminate all documents relating to the Scheme, go through all procedures relevant to the Scheme and conduct all such actions as it considers necessary, expedient or desirable to give effect to the Scheme;
- (xi) to engage Trustee, banker(s), accountant(s), lawyer(s), consultant(s) and other professional institutions for the purpose of the Scheme;
- (xii) to determine all matters in relation to the Trust Deed and execute the Trust Deed on behalf of the Company; and
- (xiii) to administer and execute other matters necessary for the implementation of the Scheme.

3. AMENDMENTS OF DIRECTORS' AND SUPERVISORS' SERVICE AGREEMENTS

Pursuant to the current service agreements entered into between the Company and the Directors or Supervisors, each of the Directors and Supervisors shall not receive any shares as part of their remuneration or incentive. If any Grant is made to any Director (other than an independent non-executive Director), their respective service agreements shall be revised. Accordingly, the Board intends to submit the proposal on amendment to the service agreements entered into between the Directors or Supervisors and the Company for consideration at the Shareholders' meeting, by including the Award(s) as a part of their remunerations.

4. IMPLICATIONS UNDER THE LISTING RULES

The proposed Scheme involves no issuance of new shares or granting of option for any new securities of the Company. Hence, it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

Pursuant to the Scheme, if the Company proposed to grant any Award(s) to any participant who is a Connected Person, such Grant would constitute a connected transaction of the Company in accordance with Chapter 14A of the Listing Rules, and (inter alia) the approval of the Independent Shareholders at an extraordinary general meeting of the Company is needed, unless exempted under the Listing Rules. Subject to the approval of the proposal for the amendments of the Directors/Supervisors service agreements in the EGM and the actual revision being effective, the Grant to the Directors (except independent non-executive Directors) and Supervisors will be exempt from the notification, announcement and independent shareholder approval requirements under Rules 14A.73 (6) and 14A.95 of the Listing Rules.

5. PUBLIC FLOAT

The Company shall take appropriate measures to ensure compliance with the public float requirements as stipulated in the Listing Rules and/or as required by the Stock Exchange from time to time.

6. EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the Employee Share Incentive Scheme; (ii) the proposed authorization of the Board to handle matters pertaining to the Employee Share Incentive Scheme; and (iii) amendments of Directors' and Supervisors' service agreements.

A circular of the Company containing, among other things, (i) further details of the proposed adoption of the Employee Share Incentive Scheme; (ii) the proposed authorization of the Board to handle matters pertaining to the Employee Share Incentive Scheme; (iii) further details of the amendments of Directors' and Supervisors' service agreements; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders in due course.

DEFINITIONS

“Adoption Date”	the date on which the Shareholders approve the Employee Share Incentive Scheme
“Award(s)”	the award granted by the Board to a Scheme Participant, pursuant to the Scheme, which may vest in the form of the respective Scheme Participants instructing the Trustee through the Company to sell the underlying Award Share(s) on the market and redeem the amount of cash return generated from the respective Award Share(s) pursuant to the principles as set out in the Scheme Rules
“Award Share(s)”	the H Shares that the Trustee purchased to fulfil the Scheme
“Board”	the board of Directors of the Company
“China Stock Connect”	including Shanghai-Hong Kong Stock Connect (a securities trading and clearing linked platform developed by the Stock Exchange, Shanghai Stock Exchange, Hong Kong Securities Clearing Company Ltd., China Securities Depository and Clearing Corporation Limited) and Shenzhen-Hong Kong Stock Connect (a securities trading and clearing linked platform developed by the Stock Exchange, Shenzhen Stock Exchange, Hong Kong Securities Clearing Company Ltd., China Securities Depository and Clearing Corporation Limited)
“Company”	Nongfu Spring Co., Ltd. (農夫山泉股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on 26 September 1996
“Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary domestic shares in the share capital of the Company with a nominal value of RMB0.10 each, which are subscribed for and paid up in Renminbi
“EGM”	the extraordinary general meeting of the Company to be held for the matters as set out in this announcement

“Employee Share Incentive Scheme” or “Scheme”	the Employee Share Incentive Scheme proposed to be adopted by the Company
“Forfeit Notice”	the notice given by the Company to the Trustee in relation to the forfeit of Award(s) due to the Scheme Participant’s failure to fulfil the vesting conditions
“Forfeit Share(s)”	the Award Share(s) underlying the Award(s) that being forfeited due to the Scheme Participant’s failure to fulfil the vesting conditions
“Global Offering”	the global offering of Shares as described in the Company’s prospectus dated 25 August 2020
“Grant”	the grant of Award(s) to a Scheme Participant
“Grant Date”	the date on which a Grant is made to a Scheme Participant
“Grant Price”	the grant price of each Award to be determined by the Board based on 30% of the average closing price of the Shares in the 120 Hong Kong Trading Days immediately prior to the Grant Date
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“H Share(s)”	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB0.10 each, which are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong dollars
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Trading Day(s)”	the ordinary trading day(s) of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Qualified Agent”	an agent with the proper qualification to act as a trustee
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Scheme Participant(s)”	persons who are selected to participate in the Employee Share Incentive Scheme
“Scheme Rules”	the rules of the Employee Share Incentive Scheme of the Company, as may be amended from time to time
“Share(s)”	ordinary shares in the share capital of the Company with a nominal value of RMB0.10 each, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the share(s) of the Company, including holders of Domestic Share(s) and H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Trading Day(s)”	any day that is not a day on which the securities on Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange are required or authorized by law to close trading
“Trust”	the trust constituted by the Trust Deed to service the Employee Share Incentive Scheme
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee (as may be restated, supplemented and amended from time to time)
“Trustee”	the trustee appointed by the Company for the purpose of the Trust, which is an independent third party of the Company
“Yangshengtang”	Yangshengtang Co., Ltd. (養生堂有限公司), a limited liability company established under the laws of the PRC on 12 March 1993, which was a controlling shareholder of our Company and wholly owned by Mr. Zhong Shanshan (including 98.38% direct interest and 1.62% indirect interest through Hangzhou Youfu Enterprise Management Company Limited (杭州友福企業管理有限公司), which is wholly owned by Mr. Zhong Shanshan) as of the date of this announcement

“Yangshengtang Group” Yangshengtang and its subsidiaries

“%” percent

On behalf of the Board
Nongfu Spring Co., Ltd.
Zhong Shanshan
Chairman

Hangzhou, Zhejiang, 13 December 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhong Shanshan, Mr. Guo Zhen, Mr. Zhou Li, Ms. Zhou Zhenhua and Mr. Liao Yuan as executive directors; Mr. Zhong Shu Zi as a non-executive director; Mr. Stanley Yi Chang, Mr. Yang, Lei Bob and Mr. Lu Yuan as independent non-executive directors.