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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 2023 INTERIM RESULTS**

### **HIGHLIGHTS OF 2023 INTERIM RESULTS**

- Total revenue was RMB20,462 million, representing a year-on-year increase of 23.3%;
- Profit attributable to the owners of the parent was approximately RMB5,775 million, representing a year-on-year increase of 25.3%;
- Basic earnings per share were RMB0.51, representing a year-on-year increase of 24.4%.

The board (the “**Board**”) of directors (the “**Directors**”) of Nongfu Spring Co., Ltd. (the “**Company**” or “**Nongfu Spring**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**” or “**we**”) for the six months ended June 30, 2023 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) (this “**announcement**”), together with the comparative figures for the corresponding period ended June 30, 2022.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended June 30, 2023*

|   | <i>Notes</i> | <b>2023</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | <b>2022</b><br><b>RMB'000</b><br><b>(Unaudited)</b> |
|---|--------------|---|---|
| <b>REVENUE</b>  | <b>4</b>     | <b>20,462,425</b>                                   | 16,598,761  |
| Cost of sales   |              | <u><b>(8,152,496)</b></u>                           | <u>(6,761,083)</u>                                  |
| Gross profit  |              | <b>12,309,929</b>                                   | 9,837,678   |
| Other income and gains, net   |              | <b>900,521</b>                                      | 751,368   |
| Selling and distribution expenses   |              | <b>(4,695,318)</b>                                  | (3,611,520)   |
| Administrative expenses   |              | <b>(958,569)</b>                                    | (876,351)   |
| Other expenses  |              | <b>(2,589)</b>                                      | (9,579)   |
| Finance costs   |              | <u><b>(29,670)</b></u>                              | <u>(22,341)</u>                                     |
| <b>PROFIT BEFORE TAX</b>  | <b>5</b>     | <b>7,524,304</b>                                    | 6,069,255   |
| Income tax expense  | <b>6</b>     | <u><b>(1,748,883)</b></u>                           | <u>(1,460,930)</u>                                  |
| <b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>               |              | <u><b>5,775,421</b></u>                             | <u>4,608,325</u>                                    |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b> |              |   |   |
| Basic and diluted   |              |   |   |
| For profit for the period   | <b>8</b>     | <u><b>RMB0.51</b></u>                               | <u>RMB0.41</u>                                      |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2023

|   | <b>2023</b><br><i>RMB'000</i><br>(Unaudited) | 2022<br><i>RMB'000</i><br>(Unaudited) |
|---|--|---------------------------------------|
| <b>PROFIT FOR THE PERIOD</b>  | <u>5,775,421</u>                             | <u>4,608,325</u>                      |
| <b>OTHER COMPREHENSIVE INCOME</b>   |  |                                       |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods:    |  |                                       |
| Exchange differences:   |  |                                       |
| Exchange differences on translation of foreign operations                                       | <u>773</u>                                   | <u>937</u>                            |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | <u>773</u>                                   | <u>937</u>                            |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>                                    | <u>773</u>                                   | <u>937</u>                            |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>           | <u><b>5,776,194</b></u>                      | <u><b>4,609,262</b></u>               |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at June 30, 2023*

|   | <i>Notes</i> | <b>June 30,<br/>2023</b> | December 31,<br>2022 |
|---|--------------|--------------------------|----------------------|
|   |              | <b>RMB'000</b>           | <b>RMB'000</b>       |
|   |              | <b>(Unaudited)</b>       | <b>(Audited)</b>     |
| <b>NON-CURRENT ASSETS</b>                       |              |                          |                      |
| Property, plant and equipment                   |              | <b>16,078,576</b>        | 15,397,585           |
| Right-of-use assets                             |              | <b>831,169</b>           | 853,488              |
| Intangible assets                               |              | <b>74,239</b>            | 58,077               |
| Deferred tax assets                             |              | <b>845,972</b>           | 433,105              |
| Long-term bank deposits                         |              | <b>2,827,961</b>         | 4,101,670            |
| Other non-current assets                        |              | <b>92,409</b>            | 49,435               |
|   |              | <hr/>                    | <hr/>                |
| Total non-current assets                        |              | <b>20,750,326</b>        | 20,893,360           |
| <b>CURRENT ASSETS</b>                           |              |                          |                      |
| Inventories                                     |              | <b>2,393,212</b>         | 2,108,372            |
| Trade and bills receivables                     | 9            | <b>602,567</b>           | 478,587              |
| Prepayments, other receivables and other assets |              | <b>704,665</b>           | 560,307              |
| Pledged deposits                                |              | <b>3,348</b>             | 3,059                |
| Cash and bank balances                          |              | <b>24,645,669</b>        | 15,211,156           |
|   |              | <hr/>                    | <hr/>                |
| Total current assets                            |              | <b>28,349,461</b>        | 18,361,481           |
| <b>CURRENT LIABILITIES</b>                      |              |                          |                      |
| Trade and bills payables                        | 10           | <b>1,754,331</b>         | 1,425,069            |
| Other payables and accruals                     |              | <b>16,234,632</b>        | 6,505,820            |
| Contract liabilities                            |              | <b>2,559,246</b>         | 2,677,190            |
| Interest-bearing borrowings                     |              | <b>3,919,632</b>         | 2,425,093            |
| Lease liabilities                               |              | <b>51,165</b>            | 68,678               |
| Tax payables                                    |              | <b>1,781,539</b>         | 1,499,579            |
|   |              | <hr/>                    | <hr/>                |
| Total current liabilities                       |              | <b>26,300,545</b>        | 14,601,429           |
| <b>NET CURRENT ASSETS</b>                       |              |                          |                      |
|   |              | <b>2,048,916</b>         | 3,760,052            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>    |              |                          |                      |
|   |              | <b>22,799,242</b>        | 24,653,412           |
|   |              | <hr/>                    | <hr/>                |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*As at June 30, 2023*

|  | <b>June 30,<br/>2023</b> | December 31,<br>2022 |
|--|--------------------------|----------------------|
|  | <b><i>RMB'000</i></b>    | <i>RMB'000</i>       |
|  | <b>(Unaudited)</b>       | (Audited)            |
| <b>NON-CURRENT LIABILITIES</b>                     |                          |                      |
| Deferred income                                    | <b>283,691</b>           | 291,420              |
| Deferred tax liabilities                           | <b>227,049</b>           | 246,737              |
| Lease liabilities                                  | <b>31,216</b>            | 31,179               |
|  | <hr/>                    | <hr/>                |
| Total non-current liabilities                      | <b>541,956</b>           | 569,336              |
|  | <hr/>                    | <hr/>                |
| <b>NET ASSETS</b>                                  | <b>22,257,286</b>        | 24,084,076           |
|  | <hr/>                    | <hr/>                |
| <b>EQUITY</b>                                      |                          |                      |
| <b>Equity attributable to owners of the parent</b> |                          |                      |
| Share capital                                      | <b>1,124,647</b>         | 1,124,647            |
| Reserves   | <b>21,132,639</b>        | 22,959,429           |
|  | <hr/>                    | <hr/>                |
| Total equity                                       | <b>22,257,286</b>        | 24,084,076           |
|  | <hr/>                    | <hr/>                |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 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, 2022.

### 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, 2022, except for the adoption of the following new and revised International Financial Reporting Standards for the first time for the current period’s financial information.

|   |   |
|---|---|
| IFRS 17   | <i>Insurance Contracts</i>  |
| Amendments to IFRS 17                             | <i>Insurance Contracts</i>  |
| Amendment to IFRS 17                              | <i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>              |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i>  |
| Amendments to IAS 8                               | <i>Definition of Accounting Estimates</i>   |
| Amendments to IAS 12                              | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to IAS 12                              | <i>International Tax Reform – Pillar Two Model Rules</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 natural 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<br>June 30, 2023           | Water<br>products<br>RMB'000<br>(Unaudited) | Ready-to-<br>drink tea<br>products<br>RMB'000<br>(Unaudited) | Functional<br>drinks<br>products<br>RMB'000<br>(Unaudited) | Juice<br>beverage<br>products<br>RMB'000<br>(Unaudited) | Other<br>products<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|---|---|--|--|---|---|---------------------------------|
| <b>Segment revenue (note 4)</b>             |   |  |  |   |   |                                 |
| Sales to external customers                 | 10,442,008                                  | 5,286,470  | 2,457,528  | 1,685,600   | 590,819                                     | 20,462,425                      |
| <b>Segment results</b>                      | <b>3,801,813</b>                            | <b>2,279,894</b>   | <b>986,242</b>   | <b>497,357</b>  | <b>158,378</b>                              | <b>7,723,684</b>                |
| <i>Reconciliation:</i>                      |   |  |  |   |   |                                 |
| Interest income                             |   |  |  |   |   | 439,223                         |
| Other unallocated income<br>and gains       |   |  |  |   |   | 461,299                         |
| Corporate and other unallocated<br>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>                |
| Six months ended<br>June 30, 2022           | Water<br>products<br>RMB'000<br>(Unaudited) | Ready-to-<br>drink tea<br>products<br>RMB'000<br>(Unaudited) | Functional<br>drinks<br>products<br>RMB'000<br>(Unaudited) | Juice<br>beverage<br>products<br>RMB'000<br>(Unaudited) | Other<br>products<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
| <b>Segment revenue (note 4)</b>             |   |  |  |   |   |                                 |
| Sales to external customers                 | 9,349,003                                   | 3,306,901  | 2,022,878  | 1,274,767   | 645,212                                     | 16,598,761                      |
| <b>Segment results</b>                      | <b>3,646,290</b>                            | <b>1,456,289</b>   | <b>849,197</b>   | <b>328,312</b>  | <b>81,857</b>                               | <b>6,361,945</b>                |
| <i>Reconciliation:</i>                      |   |  |  |   |   |                                 |
| Interest income                             |   |  |  |   |   | 258,091                         |
| Other unallocated income<br>and gains       |   |  |  |   |   | 493,277                         |
| Corporate and other unallocated<br>expenses |   |  |  |   |   | (1,021,717)                     |
| Finance costs                               |   |  |  |   |   | (22,341)                        |
| Profit before tax                           |   |  |  |   |   | <u>6,069,255</u>                |
| Other segment information                   |   |  |  |   |   |                                 |
| Depreciation and amortization               | <u>480,570</u>                              | <u>182,922</u>   | <u>117,816</u>   | <u>90,518</u>   | <u>54,206</u>                               | <u>926,032</u>                  |

### Geographical information

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

### 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, 2023 and 2022.

## 4. REVENUE

An analysis of revenue is as follows:

|  | For the six months<br>ended June 30, |                   |
|--|--------------------------------------|-------------------|
|  | 2023                                 | 2022              |
|  | RMB'000                              | RMB'000           |
|  | (Unaudited)                          | (Unaudited)       |
| <i>Revenue from contracts with customers</i> |                                      |                   |
| Sales of goods                               | <u>20,462,425</u>                    | <u>16,598,761</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):

|  | <b>For the six months<br/>ended June 30,</b> |                |
|--|--|----------------|
|  | <b>2023</b>                                  | 2022           |
|  | <b>RMB'000</b>                               | <i>RMB'000</i> |
|  | <b>(Unaudited)</b>                           | (Unaudited)    |
| Cost of inventories sold*  | <b>8,152,496</b>                             | 6,761,083      |
| Depreciation of property, plant and equipment  | <b>1,233,533</b>                             | 1,060,254      |
| Depreciation of right-of-use assets  | <b>52,496</b>                                | 49,210         |
| Amortisation of intangible assets**  | <b>6,123</b>                                 | 4,289          |
| Loss on disposal of items of property, plant and equipment                                 | <b>2,140</b>                                 | 4,597          |
| Employee benefit expenses (including directors' and chief executive's remuneration):       |  |                |
| Wages and salaries   | <b>1,600,359</b>                             | 1,259,321      |
| Pension scheme contributions, social welfare and other welfare***                          | <b>234,732</b>                               | 221,473        |
| Equity-settled share-based payment expenses  | <b>15,202</b>                                | 71,575         |
| Research and development costs****   | <b>127,082</b>                               | 107,863        |
| Expenses relating to short-term leases and leases of low-value assets                      | <b>73,583</b>                                | 64,840         |
| Provision of inventories   | <b>3,702</b>                                 | 18,093         |
| Impairment of trade receivables  | <b>7,714</b>                                 | 7,043          |
| Impairment of financial assets included in prepayments, other receivables and other assets | <b>4,150</b>                                 | 1,399          |
| Fair value gains on financial assets at fair value through profit or loss                  | –  | (2,289)        |
| Fair value loss on derivative financial instruments  | –  | 1,437          |
|  | <b>_____</b>                                 | <b>_____</b>   |

\* 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<br>ended June 30, |                                |
|--|--------------------------------------|--------------------------------|
|  | 2023<br>RMB'000<br>(Unaudited)       | 2022<br>RMB'000<br>(Unaudited) |
| Current – the People’s Republic of China (the “PRC”) |                                      |                                |
| Charge for the period                                | 2,180,135                            | 1,606,306                      |
| Under-provision in prior periods                     | 1,303                                | 243                            |
| Deferred   | (432,555)                            | (145,619)                      |
| Total  | <u>1,748,883</u>                     | <u>1,460,930</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 Tax Relief Notice (Cai Shui [2020] no.23) on the Grand Development of Western Region jointly issued by the Ministry of Finance and the State Administration of Taxation, enterprises located in the western region of the PRC with over 60% of the principal revenue 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 accredited as “High and New Technology Enterprise” and were therefore entitled to a preferential income tax rate of 15% during the reporting periods. Such qualifications are subject to review by the relevant tax authority in the PRC for every three years.

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<br>ended June 30, |                  |
|-----------------------------------|--------------------------------------|------------------|
|                                   | 2023                                 | 2022             |
|                                   | <i>RMB'000</i>                       | <i>RMB'000</i>   |
|                                   | (Unaudited)                          | (Unaudited)      |
| Dividends declared by the Company | <u>7,647,597</u>                     | <u>5,060,910</u> |

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, of which amounting to RMB7,646,313,000 was included in "other payables and accruals" and RMB1,284,000 in "reserves", respectively.

On June 14, 2022, the Company's shareholders approved 2021 final dividend of RMB0.45 for every share of the Company's 11,246,466,400 shares, in an aggregate amount of RMB5,060,910,000. Except for dividend attributable to the award shares held by the trustee in relation to employee share incentive scheme that would be paid no earlier than the relevant vesting date, the rest of the dividend was subsequently paid in July 2022.

Except for dividend attributable to the shares held by the trustee in relation to employee share incentive scheme that would be paid by the trustee to the relevant employees no earlier than the relevant vesting date, the rest of the dividend will be paid in August 2023.

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 11,243,168,674 (June 30, 2022: 11,244,681,558).

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, 2023 and 2022. 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:

|                 | <b>June 30,<br/>2023</b> | December 31,<br>2022 |
|-----------------|--------------------------|----------------------|
|                 | <b><i>RMB'000</i></b>    | <i>RMB'000</i>       |
|                 | <b>(Unaudited)</b>       | (Audited)            |
| Within 90 days  | <b>547,592</b>           | 440,293              |
| 91 to 180 days  | <b>28,608</b>            | 17,890               |
| 181 to 365 days | <b>26,367</b>            | 20,404               |
|                 | <b><u>602,567</u></b>    | <u>478,587</u>       |

## 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:

|                | <b>June 30,<br/>2023</b> | December 31,<br>2022 |
|----------------|--------------------------|----------------------|
|                | <b><i>RMB'000</i></b>    | <i>RMB'000</i>       |
|                | <b>(Unaudited)</b>       | (Audited)            |
| Within 90 days | <b>1,695,154</b>         | 1,355,022            |
| 91-180 days    | <b>20,462</b>            | 39,266               |
| 181-365 days   | <b>27,574</b>            | 11,055               |
| Over 1 year    | <b>11,141</b>            | 19,726               |
|                | <b><u>1,754,331</u></b>  | <u>1,425,069</u>     |

## 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, 2023. 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 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.

## ECONOMIC ENVIRONMENT

In the first half of 2023, China’s overall economy has been on an uptrend, with GDP exceeding RMB59 trillion, representing a year-on-year increase of 5.5%. Market dynamics and consumption potential have been gradually released, and household consumption has resumed its growth trend, with total retail sales of consumer goods exceeding RMB22 trillion, representing a year-on-year increase of 8.2%.

With the recovery of consumption motivation and the increase of consumers’ outdoor and travel activities, the market size of the beverage industry has rebounded significantly, and the market shift toward diversified, sugar-free and healthy products within soft beverage industry has gradually emerged.

The newly issued “Regulations on the Supervision and Management of Implementation of Main Responsibility of Quality and Safety of Industrial Product Manufacturing Units (工業產品生產單位落實質量安全主體責任監督管理規定)” came into effect on May 5, 2023, driving enterprises to fulfill their primary responsibilities and enhance hazard prevention and control capabilities. As authorities and consumers pay increasing attentions to product quality, enterprises that consistently stress their primary responsibility and strictly control their products’ qualities will further consolidate and maximize their competitive advantages.

## BUSINESS REVIEW

In the first half of 2023, the Group recorded a revenue of RMB20,462 million, representing an increase of 23.3% as compared with the corresponding period of last year, of which the revenue from packaged drinking water products increased by 11.7% as compared with that in the first half of last year, accounting for 51.0% of the total revenue. The revenue from beverage products increased by 38.9% as compared with the same period of last year, accounting for 48.4% 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                 | 2023          |                             | Six Months Ended June 30, 2022 |                             | Change        |              |
|----------------------------------|---------------|-----------------------------|--------------------------------|-----------------------------|---------------|--------------|
|                                  | Revenue       | Percentage of total revenue | Revenue                        | Percentage of total revenue | Amount        | Percentage   |
|                                  | (RMB million) |                             | (RMB million)                  |                             | (RMB million) |              |
| Packaged drinking water products | 10,442        | 51.0%                       | 9,349                          | 56.3%                       | 1,093         | 11.7%        |
| Tea beverage products            | 5,286         | 25.8%                       | 3,307                          | 19.9%                       | 1,979         | 59.8%        |
| Functional beverage products     | 2,457         | 12.0%                       | 2,023                          | 12.2%                       | 434           | 21.5%        |
| Juice beverage products          | 1,686         | 8.3%                        | 1,275                          | 7.7%                        | 411           | 32.2%        |
| Other products ( <i>Note</i> )   | 591           | 2.9%                        | 645                            | 3.9%                        | -54           | -8.4%        |
| <b>Total</b>                     | <b>20,462</b> | <b>100.0%</b>               | <b>16,599</b>                  | <b>100%</b>                 | <b>3,863</b>  | <b>23.3%</b> |

*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

With pandemic situation improving, consumers have increased their outdoor activities, resulting in the recovery of consumptions in ready-to-drink channels. In the first half of 2023, revenue from packaged drinking water products of the Group was RMB10,442 million, representing an increase of 11.7% as compared with the same period of last year, accounting for 51.0% of the total revenue.

During the Chinese New Year of 2023, we continued our tradition of launching an anniversary edition of zodiac version of natural mineral water (glass bottled) in Chinese year of “Rabbit” and released an animated advertisement called “To Reunite With You Through the Winter (《穿越寒冬，與你團圓》)”, conveying the best wishes to consumers that “Going Home for Reunion (回家團圓)”. During the Reporting Period, our Nongfu Spring drinking natural water (suitable for infants and young children) also co-branded with Disney and launched the “Bunny Baby (兔年寶寶)” limited edition and the “Princess Series (公主系列)” limited edition of IP-characterized bottles, together with the advertisement named “The Next 12 Months (接下來的十二個月)”, conveying to consumers the brand’s concept of “Born with Love, Accompanied by Nature (天生有愛，天然相伴)”.

Since the beginning the year, we have stepped up the promotion on Nongfu Spring's various high-quality water sources. We have released four advertisements for our water sources, namely "Snow of Changbai Mountains: Rare Visitor of the World (《世界的稀客—長白山的雪》)", "Every Drop of Nongfu Spring Has Its Source (Mount Emei)" (《每一滴農夫山泉都有一個美麗的水源(峨眉山篇)》), "Every Drop of Nongfu Spring Has Its Source (Mount Taibai)" (《每一滴農夫山泉都有一個美麗的水源(太白山篇)》) and "Every Drop of Nongfu Spring Has Its Source (Wanlv Lake)" (《每一滴農夫山泉都有一個美麗的水源(萬綠湖篇)》). By demonstrating the natural environment, species ecology and climate and hydrology of each water source, we publicise to consumers the high-quality natural water sources of Nongfu Spring and convey the brand philosophy that "The quality of the water source defines the quality of life (什麼樣的水源孕育什麼樣的生命)". At the meantime, we have invited consumers and partners to visit our high-quality water sources throughout the country for the "Source-tracking (尋源)" mission, so as for more people to better understand the essence of "Every Drop of Nongfu Spring Has Its Source (每一滴農夫山泉都有一個美麗的水源)".

In addition, we have also released an advertisement centered on our water pipelines, named "The Closer To Source, The Better Water We Gain (《越源頭，越天然》)", for the first time zooming in on our water intake pipelines and telling the story that in order to get better water from the natural source, since the first water pipe was laid in 1996, Nongfu Spring has persisted on intaking water from the very source and built 43 water pipelines across the country over the past 28 years, with a total length of approximately 300 kilometres, with the highest altitude at approximately 1,400 metres, the longest length for approximately 98 kilometres, the deepest depth at approximately 45 metres underwater and approximately 1,000 metres underground, and the maximum drop of approximately 400 metres, demonstrating the company's determination that "Making one metre forward, only to be safer and more natural (「向前一米，只為更安全、更天然」)". Through showcasing the environment of the pipelines and the difficulties and obstacles encountered during their construction, Nongfu Spring has revealed to consumers the great efforts for providing them with drinking water products of superior quality. In turn, the consumers would further identify with the differentiation of Nongfu Spring's products, and further appreciate the strength of Nongfu Spring's unrepeatable strategic layout of the nation-wide water sources, which has been created through decades of persistence.

## **Tea beverage products**

Our tea beverage products have further gained favor from consumers. During the Reporting Period, we recorded a revenue of RMB5,286 million, representing an increase of 59.8% as compared with the same period of last year, accounting for 25.8% of the total revenue.

During the Reporting Period, "Oriental Leaf (東方樹葉)" continued focusing on product innovation and promoting Chinese tea culture. In March this year, the spring limited product "Longjing Spring Tea (龍井新茶)" returned to shelves with its high quality raw materials of premium Longjing tea picked before the Ching Ming Festival, creating a taste experience comparable to the freshly-brewed Longjing tea. In May, "Black Oolong Tea (黑烏龍)", a new flavor of "Oriental Leaf (東方樹葉)", was launched to further enrich the product mix of "Oriental Leaf (東方樹葉)" in the tea sector.



“Tea π (茶π)” has continued to strengthen its communication with young consumers. We initiated an artistic marketing campaign known as “Welcome to the Wonderful World of Tea π (Welcome茶π美好世界)”, hosting branded art exhibitions in cooperation with local illustration artists around the world and launching campaign calling for label illustrations from the public, in order to keep communicating with the new generation of young people in the form of beautiful stories and illustration art, aiming at further solidifying the positioning of “Tea π (茶π)” as a new-generation fruit-flavored tea.

### **Functional beverage products**

Our functional beverage products is continuously persisting in innovation. During the Reporting Period, we recorded a revenue of RMB2,457 million, representing an increase of 21.5% as compared with the same period of last year, accounting for 12.0% of the total revenue.

During the Reporting Period, “Victory (力量帝)” Vitamin Water launched two new flavors, namely “Prune and peach flavor” and “Mixed pomelo flavor”, and reached out to the trendy circles through a series of activities such as the “New Flavor, New Vitality (新口味，新活力)” tasting campaign and the “V-Break Dance Battle (VBD國際街舞大賽)” branded street dance battle, in a bid to bring vibrant vitamin to young people. In collaboration with the Chinese University Basketball League (CUBAL), “Scream (尖叫)” beverage continued to promote to the consumers for the in-sports hydration expertise of “Isotonic Scream (等滲尖叫)” known as “Isotonic Scream, Hydration Choice of Champions (冠軍補水，等滲尖叫)”.

### **Juice beverage products**

Our juice beverage products were further recognized by the market. During the Reporting Period, we recorded a revenue of RMB1,686 million, representing an increase of 32.2% as compared with the same period of last year, accounting for 8.2% of the total revenue.

In the first half of 2023, we initiated a “VC Supporting” themed promotion campaign, popularizing the concept that “Water Soluble C100 (水溶C100)” replenishes an adult’s daily requirement for Vitamin C, which is in line with consumers’ demand for vitamin supplementation in the post pandemic era. The new packaging of the “Farmer’s Orchard (農夫果園)” was also further recognized by consumers. “NFC” juice and “17.5°” juice continued to deepen their alliance with fresh fruits with the differentiated promotion of “NFC juice that owns its own brand of fresh fruits”. All these efforts further strengthened the natural and healthy product attributes of Nongfu Spring’s “NFC” juice and “17.5°” juice, and reinforced its high-end positioning of making good juices from the source.

### **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 RMB591 million, representing a decrease of 8.4% as compared with the same period of last year, accounting for 2.9% of the total revenue.



During the Reporting Period, we also launched a new product, “Lemonade (大檸檬)” series of beverages, which innovatively uses freshly squeezed lemon juice and particularly retains the lemon peel oil produced by whole fruit squeeze, giving it a taste and fragrance similar to real lemons.

## **Outlook**

Looking ahead toward the whole year, consumption in China is expected to continuously expand as the economy recovers and the domestic demand gradually increases. However, the world situation remains complex and severe, with macroeconomic trends and policies of major economies around the world diverging, the world’s overall economic growth continuing to slow down and inflationary pressures remaining relatively strong. We will continue to strengthen our cost control and risk management systems, proactively seize market opportunities and prudently respond to various challenges.

## **FINANCIAL REVIEW**

### **Revenue and Gross Profit**

During the Reporting Period, the Group recorded a revenue of RMB20,462 million, representing an increase of 23.3% as compared with RMB16,599 million in the first half of last year; and the gross profit was RMB12,310 million, representing an increase of 25.1% as compared with RMB9,838 million in the first half of last year. During the Reporting Period, the Group’s PET procurement costs increased as a result of changing international crude oil prices, whereas, the procurement costs of paper cartons, labels and some beverage contents decreased as compared with the same period of last year. Based on this, the Group’s gross profit margin increased from 59.3% in the corresponding period of last year by 0.9% to 60.2%.

### **Selling and Distribution Expenses**

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB4,695 million, representing an increase of 30.0% as compared with RMB3,612 million in the first half of last year, which was mainly due to the increase in advertising and marketing spending. During the Reporting Period, the selling and distribution expenses of the Group accounted for 22.9% of the total revenue, representing an increase of 1.1% as compared with 21.8% in the first half of last year.

### **Administrative Expenses**

During the Reporting Period, the administrative expenses of the Group amounted to RMB959 million, representing an increase of 9.4% as compared with RMB876 million in the first half of last year. The proportion of administrative expenses to total revenue amounted to 4.7%, representing a decrease of 0.6% as compared with 5.3% in the first half of last year.

## **Other Income and Gains**

During the Reporting Period, other income and gains of the Group amounted to RMB901 million, representing an increase of 19.9% as compared with RMB751 million in the first half of last year, and accounting for 4.4% of the total revenue, which was mainly due to the exchange gains caused by the foreign currencies from the initial public offering proceeds and the increased interest income from time deposits placed with banks. During the Reporting Period, exchange gains amounted to approximately RMB158 million. As of June 30, 2023, the Group held HK\$1,478 million, US\$450 million and a small amount of other foreign currencies, which remained essentially unchanged as compared with HK\$1,469 million, US\$443 million and a small amount of other foreign currencies held in December 31, 2022.

## **Finance Costs**

During the Reporting Period, the finance costs of the Group slightly increased from RMB22 million in the corresponding period of last year to RMB30 million.

## **Profit for the Period**

As a result of the aforementioned changes, profit of the Group during the Reporting Period was increased by 25.3% from RMB4,608 million in the first half of last year to RMB5,775 million.

## **Dividends**

The Board resolved not to declare an interim dividend for the six months ended June 30, 2023.

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

As of June 30, 2023, the sum of long-term bank deposits, pledged deposits, cash and bank balances of the Group amounted to RMB27,477 million, representing an increase of 42.2% as compared with RMB19,316 million as of December 31, 2022. The total credit facility of the Group was RMB14,030 million and interest-bearing borrowings amounted to RMB3,920 million as of June 30, 2023, representing an increase of 61.6% as compared with RMB2,425 million as of December 31, 2022, with due repayment of a total amount of RMB4,425 million as of June 30, 2023. All of the borrowings are denominated in RMB. Among the total borrowings as of June 30, 2023, the borrowings of RMB100 million were charged at a fixed interest rate (not including discounted bank acceptances). The Group does not have any interest rate hedging policy.

## **Inventories**

During the Reporting Period, we focused on our key items and improved operational efficiency. Inventories of the Group increased from RMB2,108 million as at December 31, 2022 to RMB2,393 million as at June 30, 2023. Inventory turnover days decreased from 50.5 days as at December 31, 2022 to 50.4 days as at June 30, 2023.

## **Trade and Bills Receivables**

Trade and bills receivables of the Group increased from RMB479 million as at December 31, 2022 to RMB603 million as at June 30, 2023. Trade and bills receivables turnover days decreased from 5.2 days in 2022 to 4.8 days in the first half of 2023.

## **Trade and Bills Payables**

Trade and bills payables of the Group increased from RMB1,425 million as at December 31, 2022 to RMB1,754 million as at June 30, 2023. Trade and bills payables turnover days increased from 33.3 days in 2022 to 35.6 days in the first half of 2023.

## **Gearing Ratio**

As at June 30, 2023, the gearing ratio of the Group (equaling (interest-bearing borrowings + lease liabilities)/equity) was 18.0% (there was no minority equity in the Group during the Reporting Period), representing an increase as compared with the gearing ratio of the Group as at December 31, 2022 being 10.5%, mainly due to our increased use of bills receivable financing.

## **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, 2023 until the date of this announcement.

## **FOREIGN EXCHANGE RISK**

As of June 30, 2023, the Group held HK\$1,478 million, US\$450 million and a small amount of other foreign currencies. As of the date of this announcement, the exchange rates of the U.S. dollar and the Hong Kong dollar against RMB have both increased, but we still 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, 2023, the Group did not have any significant contingent liabilities.

## **CAPITAL COMMITMENTS**

Capital commitments of the Group amounted to approximately RMB1,788 million as at June 30, 2023, mainly used for construction of production plants and purchase of production equipment.

## **PLEDGE OF ASSETS**

As at June 30, 2023, no assets of the Group were pledged by the Group.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL**

The Group did not have any significant investments held, or any material acquisition or disposal of any relevant subsidiaries, associates and joint ventures during the Reporting Period.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at the date of this announcement, save for the “Future Plans and Use of Proceeds” disclosed in the prospectus issued by the Company on August 25, 2020 (the “**Prospectus**”), 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, 2023, the total number of employees of the Group exceeded 20,000. During the Reporting Period, the total employee benefit expenses (including directors’ remuneration) amounted to RMB1,850 million. The Group always believes that our long-term growth depends on the expertise, experience and development of our employees. We proactively optimize the talent selection and cultivation system in order to improve the general competitiveness of our employees and their sense of belongings to the Group. The remuneration and benefits for employees of the Group are determined with reference to the market standards as well as individual qualification and experience, performance bonus and other incentive systems are established. Performance bonuses are paid based on the Group’s revenue and profit targets, as well as the performance of the organisation in which the employee works and the performance of the individual employee, and to recognise and encourage outstanding contributions to the Group’s business. Our overall remuneration policy is competitive.

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 incentive share. The 108 scheme participants in the grant include Mr. Xiang Xiansong and Ms. Han Linyou, the directors of the Company ("**Director(s)**"), Mr. Rao Minghong and Mr. Liu Xiyue, the supervisors of the Company ("**Supervisor(s)**"), in which, the awards granted to Mr. Xiang Xiansong correspond to 108,000 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 each of Mr. Rao Minghong and Mr. Liu Xiyue correspond to 99,000 H shares of the Company; and 1 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 announcement, the validity period of the employee share incentive scheme has about 8 years left. In April 2022, among the incentive shares under the grant, 2,610,000 incentive shares have met the conditions for the first tranche vesting and belonged to the corresponding scheme participants, while the remaining 44,184 incentive shares 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 incentive shares under the grant, 1,708,200 incentive shares have met the conditions for the second tranche vesting and belonged to the corresponding scheme participants, while the remaining 285,048 incentive shares that did not meet the vesting conditions have become forfeit shares. In addition, 102,760 incentive shares have become forfeit shares due to the resignation and demotion of relevant employees. 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 shares, will be retained by the trustee and incorporated into the trust fund pool for further purchase of incentive shares during the implementation of the employee share incentive scheme in the future. During the Reporting Period, the Company did not grant any new award.

## USE OF PROCEEDS FROM THE LISTING

From September 8, 2020 (the “**Listing Date**”) to June 30, 2023, 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, 2023, the Group has utilised approximately HK\$4,896 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 52.21% of all raised funds, and the remaining unutilised proceeds is approximately HK\$4,481 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<br>from the<br>Listing<br>available<br>(HK\$ million) | Actual<br>net amount<br>utilised up to<br>June 30, 2023<br>(HK\$ million) | Unutilised<br>net amount<br>up to<br>June 30, 2023<br>(HK\$ million) | Expected timeline<br>for utilising<br>unutilised<br>net amount |
|--|--|---|--|--|
| Brand building   | 2,344  | 1,003   | 1,341  | December 31, 2024  |
| Purchasing sales equipment                                     | 2,344  | 371   | 1,973  | December 31, 2024  |
| Purchasing production facilities<br>and building new factories | 1,875  | 1,434   | 441  | December 31, 2024  |
| Strengthening fundamental<br>capabilities                      | 938  | 212   | 726  | December 31, 2024  |
| Repaying loans   | 938  | 938   | –  | N/A  |
| Working capital and other<br>general corporate purposes        | 938  | 938   | –  | N/A  |
| Total  | <u>9,377</u>   | <u>4,896</u>  | <u>4,481</u>   | December 31, 2024  |

## INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended June 30, 2023.

## PURCHASE, SALE AND 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 (the “**Listing Rules**”) and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules (the “**CG 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, 2023, and confirmed 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, 2023 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 CG Code since the January 1, 2022 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 CG Code disclosed below.

Pursuant to code provision C.2.1 under Part 2 of the CG 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 our establishment in 1996. The Board believes 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 four executive Directors (including Mr. Zhong Shanshan), two non-executive Directors and three independent non-executive Directors. Therefore, we believe that the composition of the 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 (the “**Model Code**”) under Appendix 10 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, 2023 of the Company will be published on the aforementioned websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, August 29, 2023

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