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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 ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

HIGHLIGHTS OF 2024 ANNUAL RESULTS

- Total revenue was RMB42,896 million, representing a year-on-year increase of 0.5%;
- Profit attributable to the owners of the parent was RMB12,123 million, representing a year-on-year increase of 0.4%;
- Basic earnings per share were RMB1.078, representing a year-on-year increase of 0.4%;
- The distribution of a final dividend is recommended of RMB0.76 per ordinary share (amounting to a total dividend of approximately RMB8,547 million).

The board of directors (the “**Board**”) of Nongfu Spring Co., Ltd. (the “**Company**” or “**Nongfu Spring**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2024 (the “**Reporting Period**”) prepared in accordance with IFRS Accounting Standards, together with the comparative figures for the corresponding period of 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Year ended December 31, 2024*

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	3	42,895,992	42,667,221
Cost of sales		<u>(17,980,277)</u>	<u>(17,260,392)</u>
Gross profit		24,915,715	25,406,829
Other income and gains	4	2,128,940	1,841,454
Selling and distribution expenses		(9,173,297)	(9,283,999)
Administrative expenses		(1,962,470)	(2,162,401)
Other expenses	4	(29,561)	(13,946)
Finance costs	6	(91,469)	(99,735)
PROFIT BEFORE TAX	5	15,787,858	15,688,202
Income tax expense	7	(3,664,554)	(3,608,704)
PROFIT FOR THE YEAR		<u>12,123,304</u>	<u>12,079,498</u>
Attributable to owners of the parent		<u>12,123,304</u>	<u>12,079,498</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year	9	<u>RMB1.078</u>	<u>RMB1.074</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended December 31, 2024*

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit for the year	<u>12,123,304</u>	<u>12,079,498</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>409</u>	<u>(340)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>409</u>	<u>(340)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>409</u>	<u>(340)</u>
Total comprehensive income for the year	<u>12,123,713</u>	<u>12,079,158</u>
Attributable to owners of the parent	<u>12,123,713</u>	<u>12,079,158</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		21,083,239	17,179,628
Right-of-use assets		1,026,650	946,979
Intangible assets		71,557	74,222
Deferred tax assets		1,087,893	921,333
Long-term bank deposits		10,630,882	1,510,722
Other non-current assets		188,217	42,831
Total non-current assets		34,088,438	20,675,715
CURRENT ASSETS			
Inventories		5,013,047	3,091,729
Trade and bills receivables	<i>10</i>	581,372	547,021
Prepayments, other receivables and other assets		1,218,292	694,778
Pledged deposits		7,677	2,677
Cash and bank balances		10,722,048	24,125,210
Financial assets at fair value through profit or loss		1,529,438	–
Total current assets		19,071,874	28,461,415
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	1,499,397	1,770,098
Other payables and accruals		9,543,746	9,288,983
Contract liabilities		3,565,558	3,584,921
Interest-bearing borrowings		3,625,433	3,120,619
Lease liabilities		55,705	58,030
Tax payables		1,694,898	2,053,907
Total current liabilities		19,984,737	19,876,558
NET CURRENT (LIABILITIES)/ASSETS		(912,863)	8,584,857
TOTAL ASSETS LESS CURRENT LIABILITIES		33,175,575	29,260,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at December 31, 2024*

	2024 RMB'000	2023 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Deferred income	319,404	303,061
Deferred tax liabilities	503,098	355,356
Lease liabilities	65,909	31,250
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Total non-current liabilities	888,411	689,667
	<hr/>	<hr/>
NET ASSETS	32,287,164	28,570,905
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,124,647	1,124,647
Reserves	31,162,517	27,446,258
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Total equity	32,287,164	28,570,905
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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB912,863,000 as at December 31, 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 Mainland China held by the Group, which amount to RMB10,630,882,000, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

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 nature and the impact of the revised IFRS Accounting Standards are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at January 1, 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

1.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

¹ Effective for annual periods beginning on or after January 1, 2025

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual/reporting periods beginning on or after January 1, 2027

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these revised IFRS Accounting Standards upon initial application. So far, the Group considers that these revised IFRS Accounting Standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

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

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

Year ended December 31, 2024	Water products RMB'000	Ready-to- drink tea products RMB'000	Functional drinks products RMB'000	Juice beverage products RMB'000	Other products RMB'000	Total RMB'000
Segment revenue (note 3)						
Sales to external customers	15,952,354	16,744,537	4,932,110	4,084,857	1,182,134	42,895,992
Segment results	4,970,517	7,562,635	2,081,961	1,017,117	392,146	16,024,376
<i>Reconciliation:</i>						
Interest income						866,098
Other unallocated income and gains						1,262,842
Corporate and other unallocated expenses						(2,273,989)
Finance costs						(91,469)
Profit before tax						<u>15,787,858</u>
Other segment information						
Depreciation and amortisation	<u>869,904</u>	<u>912,913</u>	<u>285,086</u>	<u>299,605</u>	<u>77,920</u>	<u>2,445,428</u>
Year ended December 31, 2023	Water products RMB'000	Ready-to- drink tea products RMB'000	Functional drinks products RMB'000	Juice beverage products RMB'000	Other products RMB'000	Total RMB'000
Segment revenue (note 3)						
Sales to external customers	20,262,256	12,658,888	4,901,553	3,533,612	1,310,912	42,667,221
Segment results	7,347,163	5,622,266	2,067,738	945,632	396,208	16,379,007
<i>Reconciliation:</i>						
Interest income						991,247
Other unallocated income and gains						850,207
Corporate and other unallocated expenses						(2,432,524)
Finance costs						(99,735)
Profit before tax						<u>15,688,202</u>
Other segment information						
Depreciation and amortisation	<u>983,720</u>	<u>641,571</u>	<u>257,651</u>	<u>226,668</u>	<u>81,428</u>	<u>2,191,038</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 are 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 of the years ended December 31, 2024 and 2023.

3. REVENUE

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>42,895,992</u>	<u>42,667,221</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.

4. OTHER INCOME AND GAINS, AND OTHER EXPENSES

	2024 RMB'000	2023 RMB'000
Other income		
Interest income	866,098	991,247
Government grants and subsidies		
related to income	761,334	505,897
related to assets	24,314	20,505
Sales of scraps	126,365	103,729
Income from compensation	27,310	29,361
Others	117,540	121,036
	<u>1,922,961</u>	<u>1,771,775</u>
Gains		
Foreign exchange gain, net	75,092	46,023
Fair value gains on financial assets at fair value through profit or loss	9,438	–
Gains on disposal of financial assets at fair value through profit or loss	50,952	–
Others	70,497	23,656
	<u>205,979</u>	<u>69,679</u>
	<u>2,128,940</u>	<u>1,841,454</u>
Other expenses		
Loss on disposal of items of property, plant and equipment	(9,737)	(5,265)
Loss on disposal of subsidiaries	–	(3,245)
Donations	(15,555)	(1,021)
Loss on disposal of items of intangible assets	–	(199)
Others	(4,269)	(4,216)
	<u>(29,561)</u>	<u>(13,946)</u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Cost of inventories sold*		17,980,277	17,260,392
Depreciation of property, plant and equipment		2,727,727	2,522,236
Depreciation of right-of-use assets		135,676	97,774
Amortisation of intangible assets**		11,298	11,432
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		3,533,293	4,175,692
Pension scheme contributions, social welfare and other welfare***		762,663	729,693
Equity-settled share-based payment expenses		5,516	25,857
Research and development costs****		306,436	349,148
Expenses relating to short-term leases, variable leases and leases of low-value assets		157,152	192,665
Impairment of trade receivables	10	2,429	4,169
Impairment of financial assets included in prepayments, other receivables and other assets		2,460	2,158
Fair value gains on financial assets at fair value through profit or loss		(9,438)	–
Gains on disposal of financial assets at fair value through profit or loss		(50,952)	–
Auditor's remuneration		5,736	6,241

* 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 years ended December 31, 2024 and 2023 is included in administrative expenses in the 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. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on interest-bearing borrowings	85,717	95,776
Interest on lease liabilities	5,752	3,959
Total	<u>91,469</u>	<u>99,735</u>

7. INCOME TAX

	2024 RMB'000	2023 RMB'000
Current – PRC		
Charge for the year	3,701,603	3,986,699
(Overprovision)/underprovision in prior years	(18,231)	1,614
Deferred	<u>(18,818)</u>	<u>(379,609)</u>
Total	<u>3,664,554</u>	<u>3,608,704</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 year. According to the Announcement on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China (Announcement No. 23 2020 of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission) jointly issued by the Ministry of Finance, the State Taxation Administration and National Development and Reform Commission, enterprises located in the western region of the PRC whose principal business is within the encouraged industry while the principal business revenue accounts for over 60% of its total gross revenue 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 year.

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% for the years end December 31, 2023 and 2024. 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 years ended December 31, 2023 and 2024 on the estimated assessable profits arising in Hong Kong.

8. DIVIDENDS

The dividends paid by the Company in 2024 and 2023 for the years ended December 31, 2023 and 2022 amounted to RMB8,434,850,000 and RMB7,647,597,000 respectively.

The proposed 2024 final dividend for the year of RMB0.76 per ordinary share, equivalent to an aggregate of approximately RMB8,547,314,000, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 11,245,815,054 (2023: 11,243,908,441) outstanding during the year.

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 year. 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.

10. TRADE AND BILLS RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	618,481	578,001
Bills receivable	–	3,700
Impairment	(37,109)	(34,680)
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Total	581,372	547,021

The Group's trading terms are mainly cash before delivery, except for direct sale customers where credits are granted. The credit period is generally one month, extending up to three months for major direct sale customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. The balances of trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from fellow subsidiaries of RMB866,000 (2023: RMB1,682,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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:

	2024 RMB'000	2023 <i>RMB'000</i>
Within 90 days	522,376	506,235
91 to 180 days	48,511	28,158
181 days to 1 year	10,485	12,628
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Total	581,372	547,021
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The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 <i>RMB'000</i>
At beginning of year	34,680	30,511
Impairment losses, net	2,429	4,169
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At end of year	37,109	34,680
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The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

Bills receivable are bank acceptance bills that are unconditionally accepted by banks within the maturity period, and there is no loss allowance for impairment of bills receivable.

An impairment analysis is performed at year end using a provision matrix to measure expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at year end about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery. The Group also takes into account legal advice where appropriate, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2024	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Within 90 days	3.85%	543,312	20,936
91 to 180 days	12.49%	55,437	6,926
181 days to 1 year	44.15%	18,774	8,289
Over 1 year	100.00%	958	958
Total		618,481	37,109
2023	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Within 90 days	3.52%	520,886	18,352
91 to 180 days	13.64%	32,605	4,447
181 days to 1 year	44.36%	22,698	10,069
Over 1 year	100.00%	1,812	1,812
Total		578,001	34,680

11. 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 year, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 90 days	1,394,397	1,598,162
91 to 180 days	49,258	130,883
181 days to 1 year	32,112	28,910
Over 1 year	23,630	12,143
Total	1,499,397	1,770,098

Included in the trade and bills payables are amounts due to fellow subsidiaries of RMB24,905,000 (2023: RMB1,517,000 to the ultimate holding company and RMB23,263,000 to fellow subsidiaries), which are unsecured, interest-free and repayable within 90 days.

Chairman's Statement

Dear shareholders,

2024 was an extraordinary year for Nongfu Spring. Our brand experienced unprecedented assault and trial. The Group recorded a total revenue of RMB42,896 million in 2024, representing an increase of 0.5% as compared to 2023. Overall profit/loss ratio maintained its industry-leading position at 28.3%. Profit attributable to the owners of the parent amounted to RMB12,123 million in 2024 (RMB12,036 million after deducting one-time non-operating gains and losses), remaining generally flat as compared with 2023.

In light of the Group's operations in 2024, the Board will recommend the distribution of a final cash dividend of RMB0.76 per share for the year ended December 31, 2024 at the forthcoming 2024 annual general meeting (the "**2024 AGM**") of the Company (amounting to a total dividend of approximately RMB8,547 million).

In 2024, the Company was under sustained and organized smearing attacks for a long period of time, and our brand image went through a historical test. This rummaging public opinion attack nevertheless proved the superiority of Nongfu Spring's water sources and product quality. Even though the market share of our packaged water products declined for 3 straight months and the full year corresponding revenue was down for 21.3%, our packaged water products' market share firmly stands at No. 1. Within the Reporting Period, our water source at Huangshan, Anhui started the initial operation, further solidifying our leading advantage in wide distribution of quality water sources. At the meantime, our tea beverage products gained more consumer reception and fondness – taking a leading position in its product category, making it another strong engine ensuring and advancing our groups' growth. Going forward, we will continue to pursue improvement and innovation in product R&D technology and evolve toward a R&D oriented enterprise in the beverage industry.

In addition, we will continue to deepen our efforts in agricultural collaboration. We will leverage our successful experience in facilitating rural revitalization and agriculture modernization through cooperation and industrialization, in which we pioneered in Gannan for navel oranges, in Xinjiang for apples, and in Hengzhou, Guangxi for jasmine flowers etc., and expand the cooperation projects into tea farming and other agricultural areas.

Looking into the future, we will remain committed to the ambition of becoming a world-class enterprise with international horizon, and actively seek market development opportunities overseas, bringing to the world more healthy products that are built on China's bio-diversity advantage. Looking through the 28-year history of Nongfu Spring, I believe that our experience and capability acquired through past competitions and the Nongfu Spring team's core strength of indomitable tenacity and bold innovation will be the cornerstone to advance to overseas markets and will sustain us to a brighter future.

Last but not least, I want to take this opportunity to thank all our employees, distributors, partners, and our farmer fellows – thank you for striving together with us; thank you for marching along with us.

Zhong Shanshan
Chairman

Hangzhou, the People's Republic of China
March 25, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Macro and Industry Environment

In 2024, the world's development was encumbered by a complex and challenging global landscape characterized by weak momentum in world economic growth, escalating geopolitical conflicts and intensified trade protectionism. Despite increased external pressures and internal challenges, China's economy demonstrated resilience under pressures, overcame difficulties, and achieved steady progress while successfully achieving its major development targets and new breakthrough in economic aggregate. According to the National Bureau of Statistics, China's GDP for 2024 reached RMB134.9 trillion, breaking through the threshold of RMB130 trillion for the first time, representing a year-on-year increase of 5.0%. China's economic aggregate firmly remained the second largest in the world. In 2024, market consumption remained growing momentum, with total retail sales of consumer goods reached RMB48.8 trillion, representing a year-on-year increase of 3.5%.

In 2024, the food and beverage industry in China picked up, with the national total output of beverage amounted to 188.2 million tons, representing a year-on-year increase of 6.3%. With the development of diversified consumer demands, the beverage market has seen a further increase in the number of new products. According to the Article Numbering Center of China, in 2024, there was 21.639 million new consumer products in China, representing a year-on-year increase of 14.1% and involving 323,000 enterprises. In particular, there was 496,000 new beverage products, representing a year-on-year increase of 17.8%.

On July 1, 2024, the Regulation on the Implementation of the Law of the People's Republic of China on the Protection of Consumer Rights and Interests came into effect, aiming to create a safe and reliable consumer environment, establish and refine a common governance system for the protection of consumer rights and interests where operators abide by the law, the industry exercises self-discipline, consumers participate, the government regulates and the society supervises. In October 2024, the State Administration for Market Regulation has been soliciting opinions from society on the "Dosage Forms and Technological Requirements for Healthcare Food Filing (2024 Edition) (Draft for Comments)" and the "Requirements on Usable Ingredients and Their Use for Filed Healthcare Foods (2024 Edition) (Draft for Comments)", which involve the addition of healthcare foods in beverage dosage forms for filing-based management, which is bound to promote the innovative development of functional healthcare food and beverage.

BUSINESS REVIEW

In 2024, the Group recorded annual revenue of RMB42,896 million, representing an increase of 0.5% as compared to 2023, among which, the proportion of revenue from packaged drinking water products to total revenue was 37.2% and the proportion of revenue from beverage product to total revenue was 62.0%. The following table sets forth a breakdown of our revenue from each product category and their percentage of total revenue for the periods indicated:

	Year Ended December 31,			
	2024		2023	
Product Category	RMB (million)	Percentage of total revenue	RMB (million)	Percentage of total revenue
Packaged drinking water products	15,952	37.2%	20,262	47.5%
Tea beverage products	16,745	39.0%	12,659	29.7%
Functional beverage products	4,932	11.5%	4,902	11.5%
Juice beverage products	4,085	9.5%	3,533	8.3%
Other products (Note)	1,182	2.8%	1,311	3.0%
Total	42,896	100.0%	42,667	100.0%

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

Packaged drinking water products

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. The buzz abated gradually in the second half of the year, but with lingering effect on sales, particularly on packaged drinking water products. In 2024, revenue from packaged drinking water products of the Group was RMB15,952 million, representing a decrease of 21.3% as compared with the same period of last year, accounting for 37.2% of the total revenue.

Since March 2024, we have revealed the truth to the public by every possible means. In addition to official clarification, the Group's founder Mr. Zhong Shanshan stepped into the spotlight with exclusive interviews in two episodes of CCTV Dialogue in August and December 2024 and appearance at the media conference in Ganzhou in November 2024. On these occasions, Mr. Zhong Shanshan shared Nongfu Spring's unremitting efforts of years in agricultural business, directly responded to controversial issues, struck back at internet violence, and earned the respect and recognition of the public with facts and sincerity, demonstrating the image of Nongfu Spring and himself in staying objective and truthful to the public. During the Reporting Period, we remained devoted to 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 the future, our pursuit of justice will never cease.

In April 2024, we relaunched purified drinking water product, with a view to help consumers more clearly distinguish between purified water and natural water. Purified water, free of mineral elements, offers a cleaner taste, while natural water, enriched with natural minerals, is better suited for long-term consumption. We also introduced the slogan “green bottle is a bit sweet and red bottle is healthier (綠瓶有點甜，紅瓶更健康)”. Our purified water product is made of the same high-quality natural water sources as our natural water product. For the purified water, we’ve opted to offer only a single package size of 550ml.

In December, to deepen consumers’ appreciation of our high-quality water sources, we re-launched 380ml and 550ml “Nongfu Spring” packaged natural drinking water products with fresh new looks. The new looks incorporated real-life pictures of the unique ecological landscapes of Nongfu Spring’s 12 major water sources, vividly showcasing the beauty and charm of such sources. This creative update reinforced the “natural and healthy” brand philosophy, and underscored consumers’ perception that every drop of Nongfu Spring has premium-quality water sources with visual journeys. To date, we have established twelve major water sources across the country, including spring water from Mount Emei in Sichuan, Mount Taibai in Shaanxi, Wuling Mountains in Guizhou, Huangshan in Anhui, Wuyishan in Fujian and Damingshan in Guangxi, deep lake reservoir water from Qiandao Lake in Zhejiang, Wanlv Lake in Guangdong, Danjiangkou in Hubei, deep underground water from Manas in Tianshan, Xinjiang, and naturally springing water and mineral water from Changbai Mountains in Jilin and the Greater Khingan Mountains in Heilongjiang.

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, providing a better service experience for end customers and consumers. In December, we made a new offering available in the market, the 380ml “Nongfu Spring” Changbai Mountains Natural Mineral Water (「農夫山泉」380ml裝長白山天然礦泉水), which was originated from the water source of Changbai Mountains, relying on the mountain treasures to serve the whole country and offering more premium alternatives to consumers.

In February, 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.

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.

Tea beverage products

With superb taste and premium quality, the Group’s tea beverage products were accepted and complimented by a wider group of consumers, and continued to maintain rapid growth in 2024, recording a revenue of RMB16,745 million during the Reporting Period, representing an increase of 32.3% as compared with the same period of last year, accounting for 39.0% of the total revenue.

During the Reporting Period, “Longjing Spring Tea (龍井新茶)”, the special offering of “Oriental Leaf (東方樹葉)” for the spring season, made its third return, being recognized and sought after by consumers with great loyalty. In the Chinese New Year holiday, “Oriental Leaf (東方樹葉)” 900ml series relaunched Oolong Tea and Black Oolong Tea flavors and expanded drinking scenarios with the slogan of “Drinking Tea Together in Chinese New Year (過年一起喝喝茶)”, unfolding the appeal of Chinese tea to a wider group of consumers. Since May, “Oriental Leaf (東方樹葉)” expanded brand recognition to a larger extent through a package of initiatives, including close partnership with the hit show “Singer 2024”, revitalization of the original inspiration “Traditional Chinese tea, marvelous Oriental Leaf (傳統的中國茶神奇的東方樹葉)” proposed at the launching of “Oriental Leaf (東方樹葉)” in 2011, commercial cut-in during the countdown to CCTV’s live broadcast of Paris Olympics opening ceremony, and high-frequency advertising throughout the Games. Furthermore, “Oriental Leaf (東方樹葉)” embraced autumn with “Osmanthus Oolong (桂花烏龍)” in September, a product dedicated to growing acclaim, to attract new consumers.

“Tea π (茶π)” also launched a new flavor named “Jasmine Lemon Tea (茉莉花檸檬茶)” in the Reporting Period, which meticulously selected high-quality jasmine tea, allowing the floral and tea aromas to be harmoniously blended. It also meticulously selected imported premium lemon juice with a perfumed lemon flavor, restoring the refreshing taste of handcrafted lemon. The encounter of jasmine and lemon created a wonderful blend of floral, fruity and tea aromas. 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 participating. 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

In 2024, the Group recorded a revenue from functional beverage products of RMB4,932 million, representing an increase of 0.6% as compared with the same period of last year, accounting for 11.5% of the total revenue.

In March 2024, “Scream (尖叫)” launched two new flavors, milk calcium type and theanine type, adding “Scream Factors” on top of electrolytes: theanine, source from plants and power of tea; milk calcium, source from natural cow’s milk and power of milk calcium. By replenishing electrolytes, Scream shall keep going, injecting new vitality into the brand’s 20th anniversary classic packaging. We 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. In August, “Scream (尖叫)” brought back its plant-based “Ginseng Mixed Fruit Flavor (人參複合果味)” for a limited time after a 20-year hiatus. The exclusive release of 10,000 boxes sold out in just 7 days online, and it dominated Tmall’s functional beverage new product rankings for 4 straight days. Targeting salarymen, the product launched a social media campaign themed “I Just Want Scream With Reborn Ginseng (重參之我只想尖叫)”, and sparking emotional resonance among the group.

During the Reporting Period, “Victory (力量帝)” Vitamin Water launched a rainbow vitamin-themed promotion and collaborated with the well-known IP The 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. Additionally, we collaborated with break-dancer Liu Qingyi to create a dynamic brand video “Vitamins Anytime, Anywhere (隨時隨地攝取維他命)”, which was released in July to coincide with the Olympic excitement, showcasing the brand’s sporting genes and highlighting the functional features.

Juice beverage products

In 2024, the Group’s juice beverage products have been revitalized through product innovation and upgrades, recording a revenue of RMB4,085 million, representing an increase of 15.6% as compared with the same period of last year, accounting for 9.5% of the total revenue.

During the navel orange harvest season in Gannan in December 2024, our “Nongfu Spring 17.5°” fresh orange juice made its debut in Sam’s Club and quickly became a bestseller. During the Spring Festival this year, it topped the “New Products List” on the Sam’s Club APP for several consecutive days and even reached the top on the “Flavoured Juice List”. Benefiting from Nongfu Spring’s investment in Asia’s largest integrated orange processing facility in Xinfeng, Jiangxi, the product achieved juice extraction within 36 hours of harvest, presenting consumers with the freshest and most natural fresh orange juice.

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 pursuing cleaner and healthier juice products. It meticulously selects high-quality large tomatoes matched with fresh-eating cherry tomatoes, offering a rich, sweet and juicy flavor. It also meticulously selects premium hybrid carrots that are extra sweet and flavorful. 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 C 100 (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 C 100 (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

In 2024, the Group continued with the strategy of focusing on the core items. Other products (mainly including soda water beverage, sparkling flavored beverage, lemon juice beverages, coffee beverage, plant-based protein beverage, and agricultural products such as fresh fruits etc.) recorded a revenue of RMB1,182 million, representing a decrease of 9.8% as compared with the same period of last year, accounting for 2.8% of the total revenue.

During the Reporting Period, 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, pure black coffee with light burden, was made from dark roasted coffee beans produced by Nongfu Spring’s own coffee roasting factory, roasted at over 200°C to bring out the full-bodied aroma of the coffee and restore the original flavour of the coffee, which is smooth and full-bodied. 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”.

We also introduced a fresh offering, “Coconut & Soy (椰&豆)” plant-based protein beverage, to the foodservice sector, featuring low fat, zero trans fatty acid and coconut-soy complex plant protein, and serving as a nutritious and tasty complement for any meal.

R&D and Innovation

The Group has been committed to the natural and healthy product philosophy. As introduced above, in 2024, we continued to launch more diversified product portfolios by meticulous sourcing of raw materials and innovative production techniques, aiming to deliver products with greater health benefits to meet consumers’ needs.

Meanwhile, we continue to deepen our efforts and explore new frontiers in agricultural collaboration, achieving breakthroughs and innovations along the way. Crossbreed fruit tree seedlings in nature often carry multiple viruses. After years of dedication, we developed virus-free navel orange seedlings in Gannan in 2023. Large-scale propagation began in 2024, and we expect to supply virus-free scions by 2025. These virus-free seedlings grow from a virus-free state, resulting in stronger leaves and plants, higher fruit output, greater disease resistance, and superior fruit quality and taste compared to ordinary fruit trees.

In our research to combat citrus yellow shoot disease, we discovered through multiple studies that infected citrus trees release volatile compounds distinct from those of healthy trees. While these compounds remain indistinguishable by instruments, dogs can detect the difference. As a result, we innovatively trained working dogs to assist in identifying diseased trees. Experimental data shows that trained detection dogs can identify infected trees with an accuracy rate of 99%. In December 2023, in collaboration with the China Working Dog Management Association and other relevant bodies, Nongfu Spring established the first group standard for Guidelines for Training and Using Working Dogs to Detect Citrus Yellow Shoot Disease. By 2024, our team of detection dogs had grown to 14.

Information system buildup

In 2024, to bolster and secure the Company's strategic business development and deployment, we employed the coding technology to assign unique identities to each product, achieving comprehensive sales, inventory and shelf-life management across the entire supply chain, end-to-end from factories to distributors and retail outlets, enhancing inventory turnover and ensuring product freshness, thereby strengthening brand competitiveness. We refined the application, technical and data architectures, and introduced AI language models and intelligent algorithm modeling, enabling a highly efficient, automated and intelligent marketing system operation, boosting labor efficiency and productivity and ensuring stringent risk management in operations.

Additionally, in 2024, the production and supply chain ends, guided by the Company's strategic development goals and the commitment to superior customer service, integrated the artificial intelligence (AI) technology into the existing digital and automated integration systems that covered every terminal of the process from raw material sourcing to production and sales, offering data-driven support to decision-making by combining algorithms, solvers and computing power. This digital transformation enabled smarter, more efficient production and supply chain management, leading to improved customer satisfaction, higher order fulfillment rates, and reduced operational expenses.

FINANCIAL REVIEW

The following financial results are extracted from the audited financial report of the Group prepared in accordance with the IFRS Accounting Standards during the Reporting Period:

Revenue and Gross Profit

The Group recorded a revenue of RMB42,896 million in 2024, representing an increase of 0.5% as compared with RMB42,667 million in 2023. In 2024, gross profit of the Group was RMB24,916 million, representing a decrease of 1.9% as compared with RMB25,407 million in 2023. During the Reporting Period, the Group's gross profit margin decreased by 1.4 percentage points from 59.5% in the corresponding period of last year to 58.1%, which was mainly due to the effect of the launch and 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

In 2024, sales and distribution expenses of the Group were RMB9,173 million, representing a decrease of 1.2% as compared with RMB9,284 million in 2023. Sales and distribution expenses accounted for 21.4% of the total revenue, representing a decrease of 0.4 percentage point as compared with 21.8% in 2023, which was mainly because the logistics costs declined due to the change of segment sales structure during the Reporting Period, though the advertising and promotion expenses increased as compared with the corresponding period of last year.

Administrative Expenses

In 2024, the administrative expenses of the Group amounted to RMB1,962 million, representing a decrease of 9.3% as compared with RMB2,162 million in 2023. Administrative expenses accounted for 4.6% of the total revenue, representing a decrease of 0.5 percentage point as compared with 5.1% in 2023.

Other Income and Gains

In 2024, other income and gains of the Group amounted to RMB2,129 million, accounting for 5.0% of the total revenue, representing an increase of 15.6% as compared with RMB1,841 million in 2023, which was mainly due to the increase in government grants received during the Reporting Period. During the Reporting Period, exchange gains amounted to approximately RMB75 million. As of December 31, 2024, the Group held HK\$1,617 million, US\$489 million and a small amount of other foreign currencies, which slightly increased as compared with HK\$1,536 million, US\$462 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 decreased from RMB100 million in the corresponding period of last year to RMB91 million.

Profit for the Year

As a result of the aforementioned changes, profit of the Group for the year increased by 0.4% from RMB12,079 million in 2023 to RMB12,123 million in 2024.

DIVIDENDS

Based on the Group's overall performance in 2024, and having accounted for, including but not limited to, the Group's surplus, overall financial condition and capital expenditures, the Board proposed to declare a final cash dividend of RMB0.76 per share (inclusive of tax, amounting to a total dividend of approximately RMB8,547 million) for the year ended December 31, 2024 at the forthcoming 2024 AGM of the Company.

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

As of December 31, 2024, the sum of long-term bank deposits, pledged deposits, cash, and bank balances of the Group amounted to RMB21,361 million, representing a decrease of 16.7% as compared with RMB25,639 million as of December 31, 2023. The total credit facility of the Group was RMB19,503 million and interest-bearing borrowings amounted to RMB3,625 million as of December 31, 2024, representing an increase of 16.1% as compared with RMB3,121 million as of December 31, 2023, with due repayment of a total amount of RMB15,739 million as of December 31, 2024. All of the borrowings are denominated in RMB. Among the total borrowings as of December 31, 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 periodic stocking of agricultural raw materials, inventories of the Group increased from RMB3,092 million as at December 31, 2023 to RMB5,013 million as at December 31, 2024. Accordingly, inventory turnover days increased from 55.0 days as at December 31, 2023 to 82.3 days as at December 31, 2024.

Trade and Bills Receivables

Trade and bills receivables of the Group increased from RMB547 million as of December 31, 2023 to RMB581 million as of December 31, 2024. The turnover days of trade and bills receivables increased from 4.4 days as at December 31, 2023 to 4.8 days as at December 31, 2024.

Trade and Bills Payables

As of December 31, 2024, the trade and bills payables of the Group were RMB1,499 million, representing a decline as compared with RMB1,770 million as of December 31, 2023. The turnover days of trade and bills payables decreased from 33.8 days as at December 31, 2023 to 33.2 days as at December 31, 2024.

Gearing Ratio

As at December 31, 2024, the gearing ratio of the Group (equaling (interest-bearing borrowings + lease liabilities)/equity) was 11.6%(during the Reporting Period, the Group has no minority equity), representing a slight 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 December 31, 2024, the Group recorded net current liabilities of RMB913 million, which was mainly due to our increase in long-term (over one year) time deposit arrangements. As of December 31, 2024, the Group had long-term bank deposits of RMB10,631 million in Chinese Mainland, representing a significant increase as compared with that of RMB1,511 million as at December 31, 2023, among which, RMB10,631 million in long-term bank 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

Save as disclosed in this announcement, there have been no material events of the Group from December 31, 2024 until the date of this announcement.

FOREIGN EXCHANGE RISK

As of December 31, 2024, the Group held HK\$1,617 million, US\$489 million and a small amount of other foreign currencies. In 2024, exchange gains amounted to approximately RMB75 million. 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 December 31, 2024, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

Capital commitments of the Group amounted to approximately RMB3,576 million as at December 31, 2024, mainly used for construction of production plants and purchase of production equipment.

PLEDGE OF ASSETS

As at December 31, 2024, no assets of the Group were pledged by the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

As of December 31, 2024, the Group did not have any significant investments held, 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 latest practicable date, save for the “Future Plans and Use of Proceeds” disclosed in the prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets.

USE OF PROCEEDS FROM THE LISTING

From September 8, 2020 (the “**Listing Date**”) to December 31, 2024, the Group has gradually utilised 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 “**Hong Kong 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 December 31, 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 52.3% 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 December 31, 2024 (HK\$ million)	Unutilised net amount up to December 31, 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	9,377	4,901	4,476	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 would continue to be utilised according to the purposes and proportions disclosed in the prospectus. The expected timeline for utilizing unutilised net proceeds was 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 continued 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 a further extension of the expected timetable for the utilization of proceeds from the Listing on August 27, 2024 and 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.

GOING CONCERN

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation in the foreseeable future. Accordingly, the financial statements are prepared on a going concern basis.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are carried out primarily in the PRC, while the shares of the Company are listed on the Hong Kong Stock Exchange. The businesses operated by the Group are subject to the laws of relevant jurisdiction in the PRC and Hong Kong. During the year ended December 31, 2024 and as of the date of this announcement, the Group has complied with relevant laws and regulations that have a significant impact on the Group in the applicable jurisdictions. Specifically, as a manufacturer of packaged water and beverages, the Group's operations are subject to the applicable food safety and environmental protection laws and regulations in the PRC. In 2024, the Group did not have any material non-compliance with such laws and regulations.

HUMAN RESOURCES AND EMOLUMENT POLICY

As at December 31, 2024, the total number of employees of the Group (including the Company and its subsidiaries) exceeded 20,000. In 2024, the total employee benefit expenses (including directors' remuneration) amounted to RMB4,301 million. We have formulated internal systems such as the Remuneration Management Measures, Performance Management Measures and Long-term Incentive Management System to implement the remuneration management system of equal pay for equal work, ensure the standardization of remuneration and performance management, and continue to build up a competitive remuneration system in industry, so as to provide the necessary safeguards for the attraction and retention of high-quality talents.

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. During the Reporting Period, employees' monetary income ranked among the top level in the industry, making the overall remuneration policy 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 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 announcement, 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. For details, please refer to the relevant content in the 2024 interim report of the Company.

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. During the Reporting Period, the Company did not grant any new award.

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 award shares 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	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	Nil	32,400	32,400	0	0
Rao Minghong (Director)	March 29, 2022	13.22	99,000	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	Nil	29,600	29,600	0	0
Han Linyou (Director)	March 29, 2022	13.22	90,800	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	Nil	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	Nil	29,630	29,630	0	0
Five individuals with highest emoluments during the Reporting Period (note 3)	March 29, 2022	13.22	132,600	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	Nil	39,800	39,800	0	0
Connected entity participants (note 4)	March 29, 2022	13.22	39,600	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	Nil	12,012	12,012	0	0
Other employee participants in aggregate	March 29, 2022	13.22	6,067,400	April 29, 2022, April 28, 2023 and April 30, 2024	45.080	Nil	1,715,398	1,666,424	48,974	0
Total			<u>6,636,400</u>				<u>1,886,208</u>	<u>1,837,234</u>	<u>48,974</u>	<u>0</u>

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) Among whom, the persons who hold awards do not include the director(s) or supervisor(s) of the Company.
- (4) The employee was originally an employee of Yangshengtang Group and was re-designated to the Group in 2023.

On March 25, 2025, the Board of the Company approved the grant proposal for 2025 employee share incentive scheme. As of the date of this announcement, the Company has not granted any awards under the grant proposal. The details regarding the granting of awards to employees pursuant to the grant proposal will be contained in the 2024 annual report of the Company, which is expected to be published by the end of April 2025.

OUTLOOK

In determining the key tasks for 2025, the Central Economic Work Conference emphasized the crucial deployment of “vigorously boosting consumption, improving investment returns and stimulating domestic demand in all fronts”, prioritizing the promotion of consumption boosting initiatives. Looking ahead to 2025, the advantage of China's super-large consumer market will remain unchanged, the underlying conditions for and general trend of positive consumption growth will remain unchanged, and the consumer market will sustain its steady growth pattern.

Due to the public opinions disseminated online in 2024, the Group's brand reputation and sales of packaged drinking water products have 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. Learning from this event, we will enhance our senses of crisis and danger, boost our risk resistance capabilities, and prepare ourselves for potential dangers even in peacetime, thereby achieving steady progress in the long term.

We adhere to the philosophy of establishing factories close to water sources, acquiring premium water sources and building leading production equipment. In 2024, the new water source site in Huangshan, Anhui, was put into use, which has further reinforced the leading position of Nongfu Spring in the layout of premium water sources. The Group's future business growth is firmly underpinned and safeguarded by its layout of premium water sources and high-caliber production capabilities.

We will continue to increase our investment in the agricultural industry, regarding it as the foundation to restructure the industrial value chain. We will promote and apply the successful experience of promoting rural revitalization and agricultural modernization through cooperation in industrialization in projects like Gannan navel oranges, Xinjiang apples, and Guangxi Hengzhou jasmine flowers to tea plantations and other agricultural cooperation projects, so as to achieve a win-win situation of increasing farmers' income and creating corporate revenue.

In addition, we will continue to strengthen our exploration of overseas markets, develop the Group's excellent products into overseas markets, realise "going global" and become a first-class international enterprise, and open up new space for growth for the Group.

DIVIDENDS

Relevant resolution has been passed at a meeting of the Board held on March 25, 2025, and the Board proposed the distribution of a final dividend (the "**Final Dividend**") of RMB0.76 (tax inclusive) per share for the year ended December 31, 2024, with a total amount of approximately RMB8,547 million. If such profit distribution plan is reviewed and approved by shareholders at the 2024 AGM to be held on Tuesday, May 20, 2025, the Final Dividend will be distributed no later than August 27, 2025 to the shareholders whose names appear on the register of members of the Company on Saturday, May 24, 2025.

The Company will not be liable for any claim or dispute over the withholding mechanism arising from any delay in, or inaccurate determination of the status of the shareholders.

The Board is not aware of any shareholders who have waived or agreed to waive any dividend.

DIVIDEND POLICY

The Company currently does not have a pre-determined dividend payout ratio. The Board may declare and pay dividends after taking into account results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates of the Group and other factors as it may deem relevant. Historical declarations of dividends of the Company may not reflect our future declarations of dividends.

The allocations to the statutory common reserve are currently determined to be 10% of the Company's after-tax profit attributable to equity holders of the Company for the fiscal year determined in accordance with PRC accounting rules and regulations. When the accumulated allocations to the statutory common reserve reach 50% of the registered capital of the Company, it will no longer be required to make allowances for allocation to the statutory common reserve.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, May 15, 2025 to Tuesday, May 20, 2025 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend the annual general meeting and to vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, May 14, 2025.

The register of members of the Company will also be closed from Saturday, May 24, 2025 to Thursday, May 29, 2025 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to receive the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, May 23, 2025.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2024, none of the Company and its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company (including the sale of treasury shares (as defined under the Listing Rules)). As at December 31, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

AUDIT COMMITTEE

The primary responsibilities of the audit committee of the Company are to inspect, review and supervise financial information and reporting process for financial information of the Company. The audit committee has reviewed the consolidated annual results of the Group for the year ended December 31, 2024.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this results announcement have been agreed by the Company's independent auditor, Ernst & Young, based on the amounts set out in the Group's consolidated financial statements for the year.

The work performed by Ernst & Young in this announcement did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this results announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG CODE”) SET OUT IN APPENDIX C1 TO THE LISTING RULES

The Company has adopted all code provisions of the CG Code as the code of corporate governance of the Company. The Company had complied with the code provisions as set out in the CG Code during the year ended December 31, 2024, save for the deviations from the code provision C.2.1 under Section II of the CG Code disclosed below.

Pursuant to code provision C.2.1 under Section II 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 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 two independent non-executive directors. Therefore, we consider that the senior management and the Board have a fairly strong independence element in its composition.

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 maximises effectiveness of its operation.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”) SET OUT IN APPENDIX C3 TO THE LISTING RULES

The Board has adopted the Model Code as the code of practice for directors and supervisors in respect of their trading in the listed securities of the Company. After making specific enquires with the directors and supervisors, all of them confirmed that they had complied with the requirements for securities trading of directors and supervisors set out in the Model Code during the year ended December 31, 2024.

DISCLOSURE OF INFORMATION

This announcement is published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.nongfuspring.com>), and the 2024 annual report of the Company will be dispatched to the shareholders of the Company (if requested) in due course and published on the aforementioned websites.

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

Hangzhou, PRC
March 25, 2025

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. Yang, Lei Bob and Mr. Lu Yuan as independent non-executive directors.