

What’s Hot Today:

► China ready-to-drink industry: Tea drink and functional beverage saw robust growth

China has a few established brands selling RTD (ready-to-drink) beverages. We have summarized the 1H25 results of six major companies below and we have identified some key trends of this industry. It is noted that tea drinks and functional beverages have shown robust growth, probably reflecting rising consumer health awareness. Carbonated drinks and juice saw solid performance, while packaged water results varied significantly across companies. Among the leading players, Nongfu Spring (9633 HK, HK\$50.85, HK\$256bn) and Eastroc Beverage (605499 SS, RMB300.08, RMB156bn) delivered MDD YoY growth in both revenue and net profit. On the other hand, Master Kong (322 HK, HK\$11.30, HK\$63.7bn) and CR Beverage (2460 HK, HK\$11.23, HK\$26.9bn) continued to face challenges.

Fig 1: 1H25 results of major RTD companies

RMB mn	Master Kong	NongFu Spring	China Food	Uni-President	Eastroc Beverage	CR Beverage
Revenue	40,092	25,622	12,278	17,087	10,737	6,206
YoY	-5.3%	15.6%	8.3%	10.6%	36.4%	-18.5%
Gross profit	13,815	15,456	4,676	5,865	4,847	2,896
YoY	2.8%	18.6%	1.2%	12.2%	38.0%	-22.8%
GPM	34.5%	60.3%	38.1%	34.3%	45.1%	46.7%
S&M expense	9,138	5,011	3,235	3,773	1,682	1,884
% of revenue	22.8%	19.6%	26.3%	22.1%	15.7%	30.4%
Admin. expense	1,432	1,068	211	559	259	144
% of revenue	3.6%	4.2%	1.7%	3.3%	2.4%	2.3%
Finance expense	161	25	2	-119	64	1
% of revenue	0.4%	0.1%	0.0%	-0.7%	0.6%	0.0%
Net profit	2,271	7,622	578	1,287	2,375	805
YoY	19.3%	22.2%	2.2%	33.2%	37.2%	-28.6%
NPM	5.7%	29.7%	4.7%	7.5%	22.1%	13.0%
Revenue Breakdown						
Beverages	26,359	25,622	12,278	10,788	10,737	6,206
YoY	-2.6%	15.6%	8.3%	7.6%	36.4%	-18.5%
% of revenue	65.7%	100.0%	100.0%	63.1%	100.0%	100.0%

Source: Company Data, Sunwah Kingsway Research

**Packaged water: Nongfu Spring showed signs of bottoming out.** The water segment of Nongfu Spring grew by 11% YoY during the period to RMB 9.4bn. Among its peers, CR Beverage was the most significantly affected by the price war, recording a 23% YoY decline in segment revenue to RMB5.3bn. Master Kong also experienced a 6% YoY decrease in water product revenue. To further strengthen its operations, Nongfu Spring added three new water sources in 1H25 and planned to expand more. We believe this initiative will improve its transportation efficiency and enhance the supply layout barriers.

China & HK Indices	CLOSE	1D	YTD
HSI	25,633	0.8%	27.8%
HSCEI	9,121	0.7%	25.1%
HSCCI	4,322	1.3%	14.3%
CSI300	4,467	0.2%	13.5%
Shanghai A	4,011	0.4%	-1.2%
Shanghai B	264	0.3%	-1.2%
Shenzhen A	2,539	0.9%	24.0%
Shenzhen B	1,347	0.5%	11.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	45,514	0.3%	7.0%
S&P 500	6,495	0.2%	10.4%
Nasdaq	21,798	0.5%	12.9%
Nikkei Index	44,038	0.9%	10.4%
FTSE Index	9,221	0.1%	12.8%
CAC Index	7,734	0.8%	4.8%
DAX Index	23,807	0.9%	19.6%

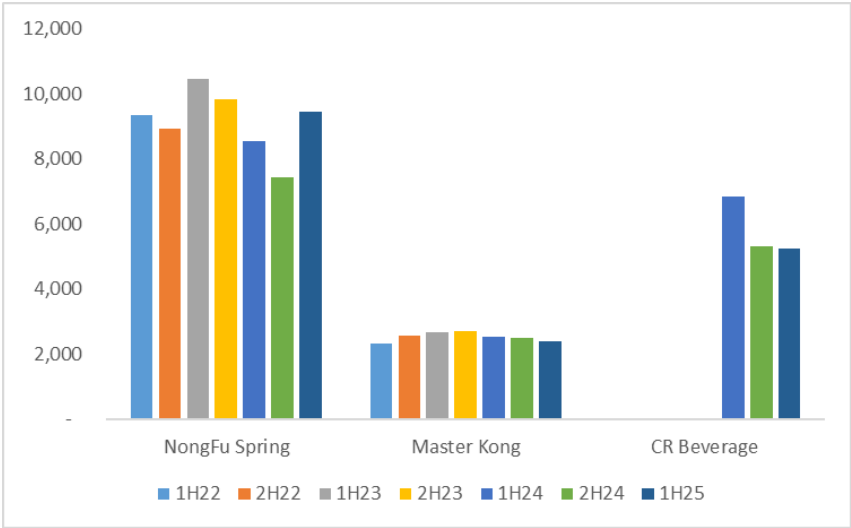
Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,635	1.4%	38.6%
STEEL (US\$/oz.)	2,149	1.4%	20.3%
SILVER (US\$/oz.)	41	0.9%	43.0%
CRUDE OIL (US\$/bbl)	62	0.6%	-13.0%
COPPER (US\$/oz.)	9,915	0.2%	13.1%
ALUMINIUM (US\$/oz.)	2,617	1.0%	2.6%
PLATINUM (US\$/oz.)	1,386	0.5%	53.6%
ZINC (US\$/oz.)	2,876	1.2%	-3.4%
WHEAT (US\$/bu)	505	0.6%	-8.3%
CORN (US\$/bu)	421	0.9%	-5.1%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	1,033	0.7%	0.8%
PVC (US\$/t.)	N/A	N/A	-12.2%
CRB	299	-0.3%	3.0%
BDI			98.5%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.793	0.850	147.500	0.793	7.130
HKD	0.128		0.109	18.923	10.179	0.915
EUR	1.176	9.167		173.500	1.072	8.385
JPY	0.007	5.283	0.576		0.538	0.048
CHF	1.261	9.823	1.072	185.893		8.990
RMB	0.140	1.093	0.119	20.680	0.111	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	15	-1.6%

Source: Bloomberg

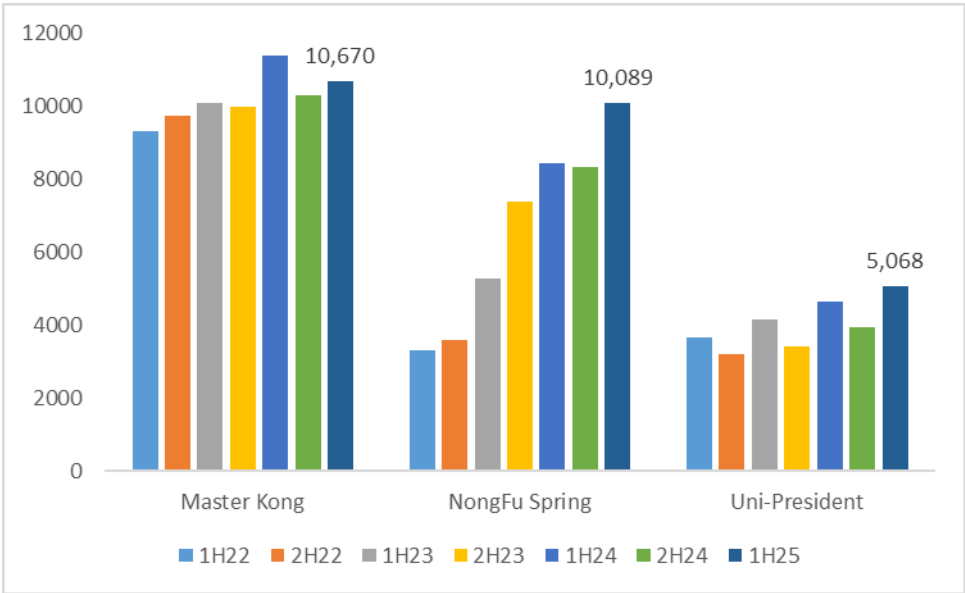
Fig 2: Revenue of packaged water of major companies (Data not available for CR Beverage before FY24)



Source: Company Data, Sunwah Kingsway Research

**Tea beverage: solid growth in both sugar-free drinks and sweetened drinks.** Leveraging first-mover advantage in the sugar-free tea drink category and the strong performance of flagship sweetened drink products such as Cha pai (茶π), Nongfu Spring has widened its lead over peers in this segment. Among leading players, Master Kong was the only one to record a MSD YoY decline in tea drink sales, primarily due to price hikes. Meanwhile, Uni-President (220 HK, HK\$9.01, HK\$38.9bn) successfully attracted price-sensitive consumers, delivering a HSD YoY growth in its tea beverage business. During 1H25, new product launched by major brands focused on niche flavor tea products. For instance, key products such as Genki Forest (Iced Black Tea Cola/Soda), Master Kong (680ml Iced Black Tea Cola) and Nongfu Spring (600ml Iced Tea) rolled out sweetened iced tea products in quick succession.

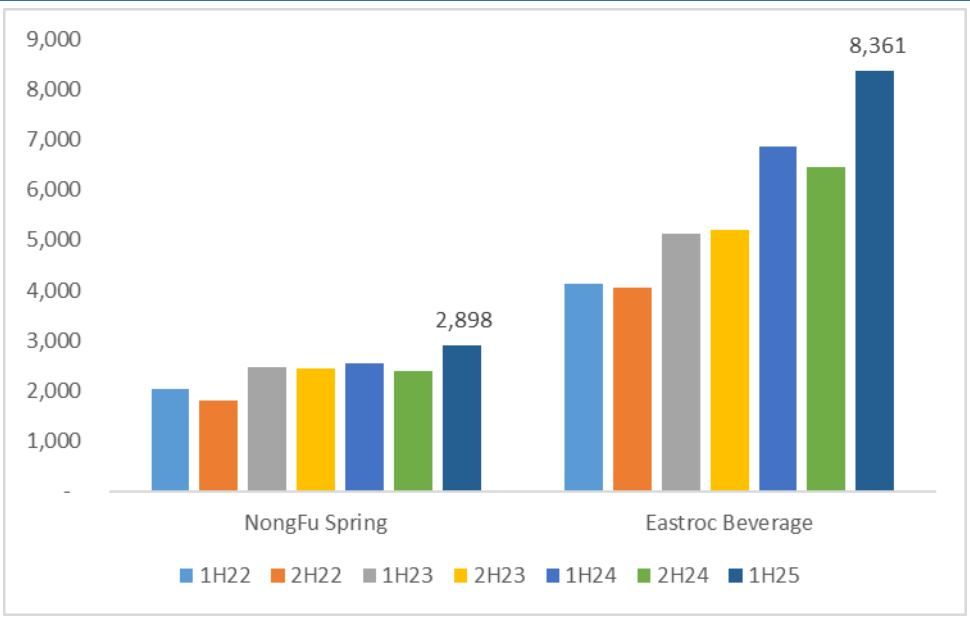
Fig 3: Revenue of tea beverage of major RTD companies



Source: Company Data, Sunwah Kingsway Research

**Functional beverages: Eastroc Beverage dominated the segment.** It ranked first in energy drink sales for four consecutive years in China. In 1H25, segment revenue increased by 22% YoY to RMB8.4bn. Other major brands also accelerated their presence in the energy drink market to compete. Nongfu Spring's energy drink segment reported a revenue of RMB2.9bn, up 14% YoY. Thanks to strong demand of the Monster series, Swire's energy drink segment grew 51% YoY. Master Kong (Gatorade), Uni-President (X-power), and Genki Forest (Alienergy) are also putting more resources into this segment.

Fig 4: Revenue of functional beverage of major RTD companies



Source: Company Data, Sunwah Kingsway Research

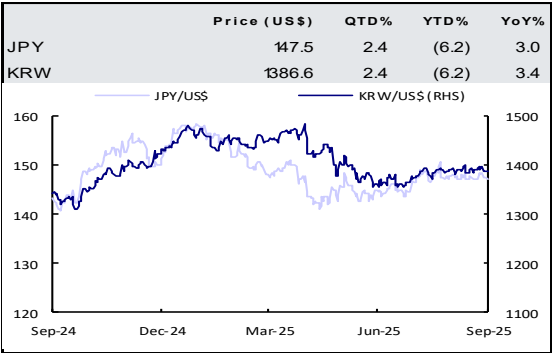
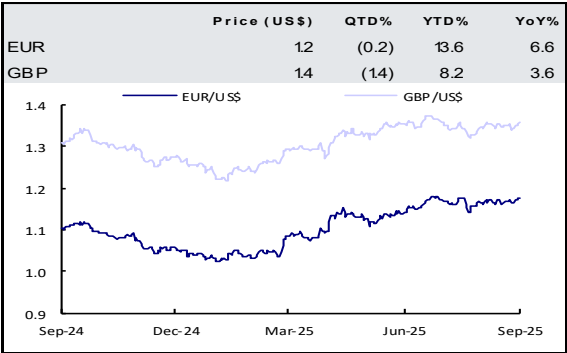
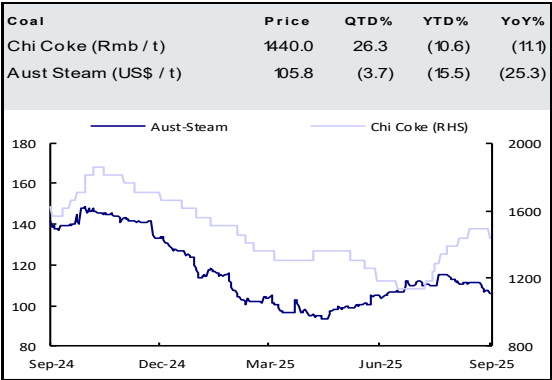
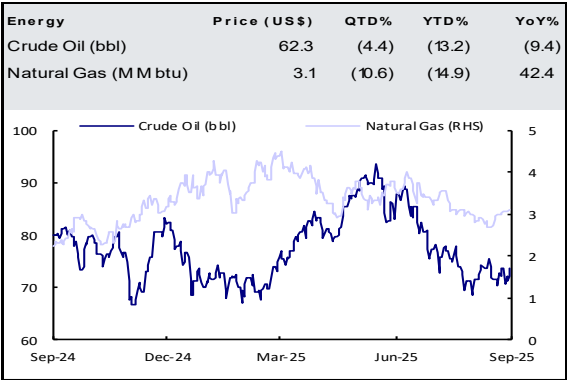
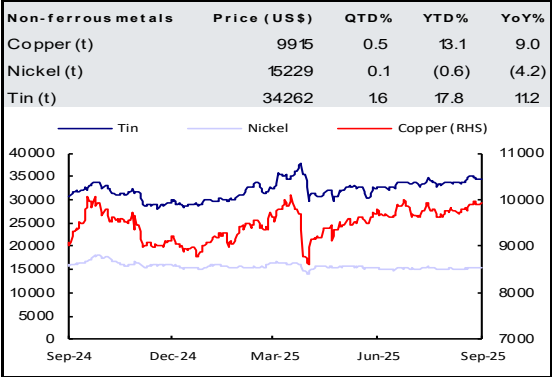
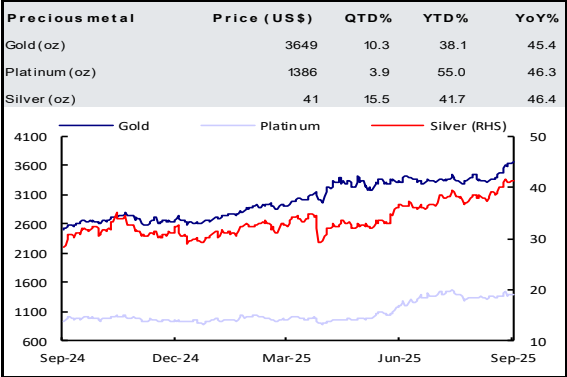
**Our view:** The ready-to-drink beverage sector is expected to maintain solid momentum in peak Q3 season driven by the hot weather. In the packaged water segment, leading player Nongfu Spring is expected to continue to gain market share with aggressive marketing. As consumers become more health conscious, the tea drink and functional beverage segments are expected to see strong growth. Overall, we believe Nongfu Spring could outperform peers driven by strong sales channel and diversified product mix. The counter is trading at 35.4x FY25E P/E.

Fig 5: Valuation of the six companies

	Stock code	Stock price	Market cap	FY25E	PE FY26E	FY27E
Master Kong	322 HK	HK\$11.30	HK\$63.7bn	13.8	13.0	12.1
NongFu Spring	9633 HK	HK\$50.85	HK\$256bn	35.4	31.0	27.4
China Food	506 HK	HK\$4.06	HK\$11.4bn	11.4	10.5	9.8
Uni-President	220 HK	HK\$9.01	HK\$38.9bn	15.9	14.5	13.3
Eastroc Beverage	605499 SS	RMB300.08	RMB156bn	34.3	27.0	22.0
CR Beverage	2460 HK	HK\$11.23	HK\$26.9bn	16.3	13.6	11.5

Source: Bloomberg, Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Wholesale Inventories	MoM		10-Sep-25
PPI	MoM		10-Sep-25
Initial Jobless Claims	WoW		11-Sep-25
CPI	MoM		11-Sep-25
Business Inventories	MoM		16-Sep-25
Retail Sales	MoM		16-Sep-25
Industrial Production	MoM		16-Sep-25
Housing Starts / Building Permits	MoM		17-Sep-25
Existing Home Sales	MoM		23-Sep-25
New home Sales	MoM		24-Sep-25
Durable Goods Orders	MoM		25-Sep-25
GDP	QoQ		25-Sep-25
Personal Income & Spending	MoM		26-Sep-25
Consumer Confidence	MoM		30-Sep-25
ISM Manufacturing PMI	MoM		1-Oct-25
Factory Orders	MoM		2-Oct-25
Employment Report	MoM		3-Oct-25
Trade Balance	MoM		7-Oct-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		9-Sep-25
PPI	MoM		10-Sep-25
CPI	MoM		10-Sep-25
Retail Sales	MoM		15-Sep-25
Industrial Production	MoM		15-Sep-25
PMI Manufacturing	MoM		30-Sep-25
Foreign Exchange Reserves	QoQ		7-Oct-25
Trade Balance	MoM		13-Oct-25
GDP	YoY		20-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Producer Prices Index	QoQ		15-Sep-25
Industrial Production	QoQ		15-Sep-25
Unemployment Rate	MoM		16-Sep-25
CPI	MoM		22-Sep-25
Trade Balance	MoM		25-Sep-25
Money Supply - M2	MoM		30-Sep-25
Retail Sales	MoM		2-Oct-25
PMI	MoM		6-Oct-25
Foreign Currency Reserve	MoM		8-Oct-25
GDP	QoQ		31-Oct-25
Composite Interest Rate	MoM		

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