

*Illustration: Derek Zheng for Bloomberg Green*

Green | Water Grab

## **China's Richest Person Made Billions Bottling Pristine Water**

Zhong Shanshan built his Nongfu Spring empire by extracting water from some of the country's most ecologically important rivers and mountains.

By Bloomberg News

October 31, 2023 at 7:00 PM EDT

This article is part of the **November 21, 2023 issue** of Green.

The misty, forest-carpeted Wuyi Mountains have stood almost untouched for millennia in southern China. Ancient Taoist temples are one of the few signs of human settlement at the [Unesco World Heritage Site](#), which is surrounded by dramatic river gorges and rainforests that are home to pangolins and clouded leopards.

On the edge of the trees, a bright yellow rectangular factory sits amid the lush greenery, like a stray Lego left behind on a lawn. Emblazoned outside is the name [Nongfu Spring](#), China's most recognizable bottled water brand. More than 1 million tons of fresh water pumped from [Wuyi's primeval forests](#) arrive each year at the facility, where it's bottled, topped with the company's signature red caps and trucked to convenience stores and supermarkets in the region.

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*This is the third article in Bloomberg Green's [Water Grab series](#) investigating how private investors are commandeering public water for profit.*

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Every plastic container that leaves this site, and Nongfu Spring Co.'s 11 other extraction points in China, goes to building a bottled water empire owned by the country's richest man. [Zhong Shanshan](#), a former journalist who began amassing his fortune three decades ago selling health supplements, has a net worth of about \$63 billion, according to the [Bloomberg Billionaires Index](#), outpacing even the founders of TikTok and Alibaba Group Holding Ltd. Most of his wealth comes from drawing water from some of China's most ecologically sensitive lakes, mountains, springs and waterfalls and selling it to the nation's burgeoning middle class.

Nongfu's slogan—"We don't produce water, we are just nature's porters"—is as well-known in China as "Just do it" or "Think different." But drawing water from previously untouched places has caused local unease and even generated lawsuits as communities worry about the environmental impact amid rapid climate change. Last year, China endured its [hottest summer in six decades](#). In Wuyi, tea farmers struggled to keep their crops alive, bamboo forests dried up, and tourists who arrived to see the region's majestic beauty were greeted by trickling streams. At Wanlv Lake in Guangdong province to the south, where Nongfu and other water companies have long operated, water levels receded so much during a drought in 2021 that [ancient relics](#) from the Ming and Qing dynasties were uncovered from the lake bed.

Nongfu's slogan — “We don't produce water, we are just nature's porters” — at a plant in Heyuan. *Source: Bloomberg*

United Nations-backed scientists have warned that global warming will likely make droughts such as China's longer and more frequent. That warning has intensified a rush by investors and corporations around the world to lock up—and cash in on—one of Earth's most precious resources: water. In places already enduring water stress, such as Wuyi, the consequences can be wrenching. Qiang Huanrong, who lives close to Nongfu's water extraction site by the Wuyi Mountains, has spent years fighting against the company's operations. “This is a monopoly of water,” Qiang says. “How come water resources have become their tool for getting rich?”

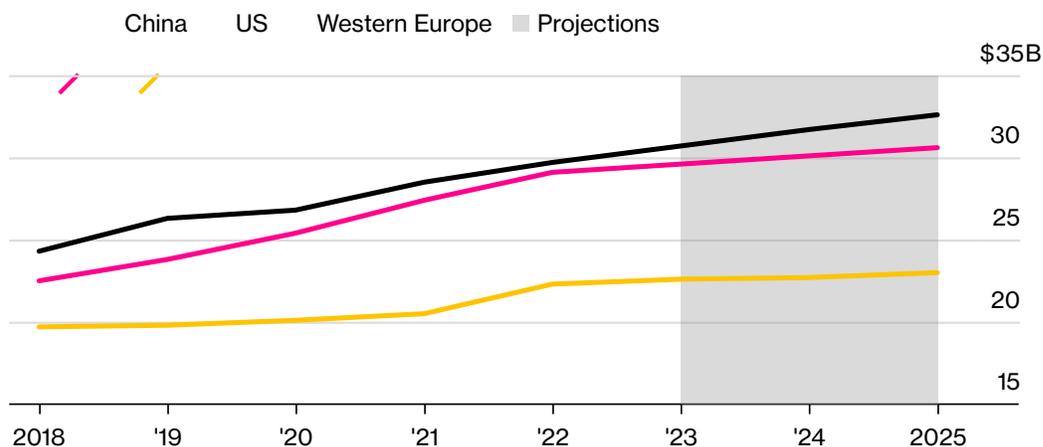
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China is the world's largest consumer of bottled water, according to market research company Euromonitor International, and sales growth is projected to outstrip that in the US and Western Europe in the next two years. In most major Chinese cities, bottled water isn't merely a convenient way to hydrate on the go; it's a necessity. Many households have 20-liter (5.3-gallon) drums delivered regularly for drinking and cooking, given government warnings that advise against directly consuming tap water. That potential for growth made Nongfu the most popular initial public offering in a decade when it listed on the Hong Kong stock exchange in 2020. Its share price has more than doubled since, elevating Zhong, who owns 84% of the company, to the ranks of the world's uber-wealthy.

## The World's Biggest Bottled Water Market

China's growth is set to outstrip that of the US and Europe in the coming years.



Source: Euromonitor International

For Zhong to keep increasing his riches and meet rising demand, he'll have to find ever more water sources. In 2019, Nongfu extracted 33 million cubic meters—enough to fill 13,000 Olympic-size swimming pools—from 10 sources, according to the company's latest annual data. It has added two sources since, with a third under construction, and is seeking new sites in New Zealand and Tibet.

ZHONG WAS BORN IN 1954 IN A SMALL TOWN IN ZHEJIANG PROVINCE ALONG CHINA'S central coast. He came of age during the Cultural Revolution and started his career at a state-run newspaper during the heady days of economic liberalization. In 1985 he wrote a story following the journey of Hong Mengxue, a food engineer who left a state-owned factory to join a small business. Three years later, Zhong quit his own stable job and, after several failed business ventures, began selling a nutritional product in 1993 with Hong as his chief engineer. Zhong claimed the supplement, made from turtle meat, boosted immunity and eased insomnia.

The success of that company earned Zhong the capital to start Nongfu in 1996. His time as a journalist had taught him an important lesson. "The reputation of a company in the market economy is greater than its fixed assets," Zhong told Phoenix TV, a Hong Kong network, in 2015. "If the reputation is bad, nothing can be sold."

Zhong Shanshan *Photographer: Imaginechina/AP Photo*

That obsession with image persisted as Nongfu established its name. Its bottles, which sell for 2 yuan (27¢) each, have become ubiquitous in China—akin to Poland Spring in the US or Highland Spring in the UK. As the company expanded into more upmarket products, Zhong spent three years working with five design houses to create a series of glass bottles for premium spring water from the virgin forests of the Changbai Mountains, near the North Korean border, he said in a 2016 speech. Later that year, the bottles appeared in pictures from a state dinner hosted by President Xi Jinping for world leaders at the Group of 20 summit.

Zhong is still deeply involved in marketing decisions for Nongfu's bottled water, according to an employee who regularly attends meetings with him. Products have to be “flawless,” says the person, who asked not to be named while discussing their boss. They recalled a time when Zhong had everyone start over on a campaign at the last minute because he “wasn't 100% satisfied.” Under Zhong's watch, Nongfu has introduced expensive novelty products including water for babies (from a “sterilized production line”) and tea brewing (with “optimum acidity”). The company has also moved into other beverages, such as oriental tea, energy drinks and juice produced from its own orchards.

Nongfu's ubiquitous red-capped bottles. *Source: Bloomberg*

Nongfu's dominance comes down to a pivotal decision two decades ago to sell water that comes only straight from the source, which the company claimed in a nationwide campaign has greater health benefits than water purified in a factory. More than 60 rival companies, led by Hangzhou Wahaha Group Co., appealed to Chinese regulators at the time, accusing Nongfu of defamation and false advertising. Zhong was fined 200,000 yuan, but he won something much greater: a lion's share of the nation's blossoming bottled water market as consumers switched en masse to drinking Nongfu's spring water.

Since then, Nongfu has focused its messaging on the natural origins of its water and the stunning landscapes surrounding them. A commercial shot in 2019 by Emmy-winning wildlife filmmakers features young wild tigers gamboling among the trees near the Changbai Mountains. A Norwegian architectural company helped design a walking path, framed in light wood, through the water-extraction site so visitors can experience the ancient forest up close.

**“This is a monopoly of water. How come water resources have become their tool for getting rich?”**

Meanwhile, Zhong has cultivated his own image as a humble executive concerned only with the excellence of his product. In Chinese media, he is often referred to as a “lone wolf,” a label he reportedly approves of, because of his preference for making decisions alone and his rare public appearances. Nongfu turned down a request to speak to Zhong, saying he likes to keep a “low profile” and hasn't given an interview in many years.

Those who've met Zhong describe him as understated and down-to-earth. He eats alone in the company cafeteria—no entourage in sight—and dresses simply in T-shirts and sneakers. “He just looked so normal,” says Xiaoyi Gu, a project manager at Atelier Brückner, which designed the exhibition space at Nongfu's Changbai factory. “I didn't feel he was so rich.”

One of the few times the media provoked a response from Zhong came in 2013, when a

Beijing newspaper questioned the quality of Nongfu's products. Zhong delivered a 100-slide defense, sipping on Nongfu water throughout the three-hour press conference. He shut down Nongfu's factory in Beijing, sued the newspaper for defamation and took out advertisements in hundreds of news outlets across the country touting results from laboratory tests organized by the company.

Flying under the radar appears to have served Zhong well, as other Chinese billionaires, including Alibaba co-founder Jack Ma, have faced repercussions for flaunting their wealth or been the subject of government crackdowns. Zhong also made the prescient choice to steer clear of the real estate sector, which minted the fortunes of many of his peers. "This bubble will make the Chinese economy bear a considerable burden in the future," he said in the 2015 interview, a warning that almost seems quaint as China struggles with an economywide property crisis precipitated by overleveraged developers.

Nongfu has also remained a largely brick-and-mortar business amid the internet boom that's remade China's economy. Zhong has said he admires Apple Inc. founder Steve Jobs and Huawei Technologies Co. Chief Executive Officer Ren Zhengfei, whose companies focused on developing superior consumer products and supply chains rather than social media or e-commerce platforms.

"The world's largest internet company is not a Chinese internet company," Zhong told Phoenix TV. "Look at what Apple is doing. It has opened many offline stores to be closer to consumers."

Nongfu's branding on shop fronts in Guangdong. *Source: Bloomberg*

QIANG REMEMBERS THE DAY NONGFU ARRIVED AT HIS VILLAGE IN THE WUYI MOUNTAINS, a quiet hamlet where dozens of gray sloped-roof houses sit by a clear brook, nestled among green hills and tea plantations. Some homes double as teahouses or hostels for tourists, who come to enjoy forest hiking, rafting, monkey watching and the sampling of local tea, one of Wuyi's most famous exports.

Workers equipped with a fleet of trucks “barged in” without warning in 2019, Qiang says. “I told them it was my home, but they just ignored me.” Over the next few months, he says, the men cut down trees and razed crops to build a dam and bury water pipes.

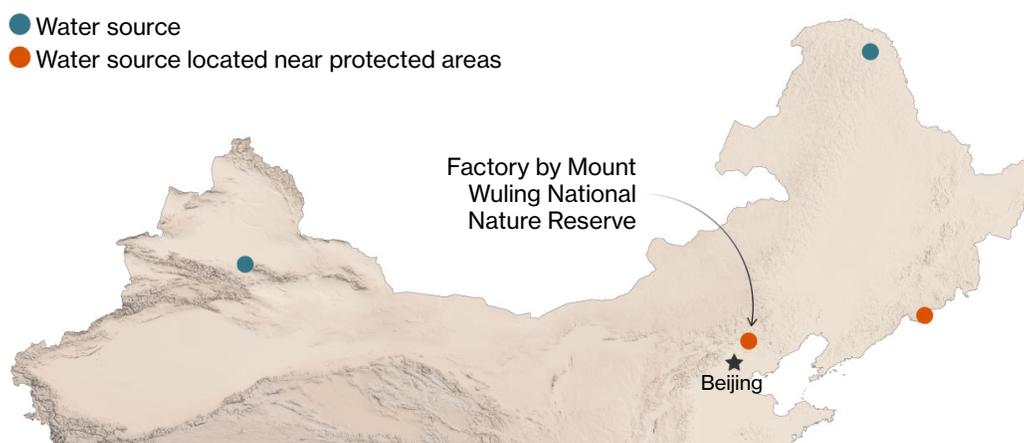
Nongfu declined to answer questions about its water-extraction practices. “Vested interest groups in the Wuyi mountain area concocted fake news about Nongfu Spring’s ‘deforestation’ through staged photos and other means,” a spokesperson said in an email. “On the premise that the objectivity and authenticity of news cannot be guaranteed, we regretfully believe that there is no point in replying.”

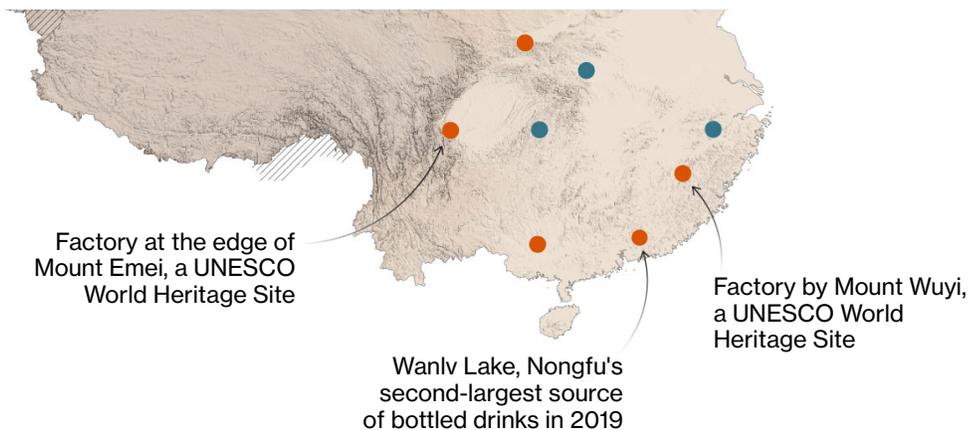
Nongfu’s presence has divided Qiang’s village. Some say its decision to come to Wuyi has helped to attract visitors who otherwise might not have heard about the place. Others have protested against the factory from the start. After Qiang’s daughter posted pictures of destroyed forests on the Weibo microblogging platform, local authorities ordered Nongfu to restore the chopped-down trees. The company blamed its construction contractor and sued Qiang’s daughter for defamation, though it later dropped the lawsuit. Qiang says he in turn took Nongfu to court in April 2020, accusing them of illegally using land he’d rented for 60 years to run a tourism business. He lost and is appealing.

China Biodiversity Conservation and Green Development Foundation, an environmental organization based in Beijing, filed a separate suit against Nongfu in 2020, arguing that the company failed to obtain sufficient approvals for construction in the nature reserve’s buffer zone. The foundation lost in city court and is appealing to a provincial court. Wang Wenyong, the lawyer who argued the case, says the company should consider its extraction sites more carefully, because it can have a “huge impact” on places such as Wuyi. Nongfu should extract water from large reservoirs or rivers, he says, rather than operating so close to tourist attractions that are often in protected areas “just as a marketing gimmick.”

## Where Nongfu Extracts Water in China

Seven out of 12 operational sites are located near protected nature reserves.





Source: Nongfu Spring, Bloomberg reporting, CHGIS, 2015, CHGIS V5 Digital Elevation Model, Harvard Dataverse, V8

Despite the lawsuits, Nongfu won over enough villagers to complete the factory. The company struck a deal with some of Qiang's neighbors to pay them 200,000 yuan a year—with a 20% increase every five years—if they promised not to cut down trees and protect the water source in their village, according to a copy of the agreement obtained by *Bloomberg Green*. Those who didn't take the money see it as a thinly veiled payoff, because the area is already part of a tightly regulated national park.

Ji Xihua, a 54-year-old restaurant owner, is among the roughly 30 villagers who signed Nongfu's document. He says the company's presence has boosted his business. Although some people blame Nongfu's operations for exacerbating last year's historic drought, Ji doesn't see it that way: "That was a natural disaster. What can you do about it?"

Some of his neighbors have a less generous interpretation. "We didn't have any water in the creek, but Nongfu was still shipping water out, truck by truck," says one tea farmer, who asked not be named for fear of retaliation. Tea plantation owners say they had to water their trees by pumping water from the rivers for the first time. (Nongfu briefly suspended production at the height of the drought.)

When reporters visited in August, there was hardly enough water in the creek by Qiang's village to cover larger sand-colored stones in the riverbed, even though the area had just experienced heavy rainstorms caused by a major typhoon. Local law enforcement officers and villagers supportive of Nongfu pressured those who had been critical of the company not to speak to the media. They also blocked the trail to Nongfu's water-extraction site, saying landslides and poisonous snakes made it too dangerous.

Nongfu says it produces 1 million tons of bottled water a year from the creek, but an environmental impact assessment of the project seen by *Bloomberg Green* shows it was designed to draw more than double that amount. A significant amount of water is lost during the bottling process; for example, it can leak from pipes or be used for cleaning and cooling machinery.

Wang Shan, who runs a convenience store a block away from Nongfu's factory, says she worries about her children's safety, because of the numerous trucks that drive through her neighborhood every day. But her biggest concern is what the vehicles are carrying. "They are taking so much water out," she says.

One of Nongfu's factories near Wanlv Lake. *Source: Bloomberg*

DESPITE THE RECENT ALARMING DROUGHTS, NONGFU IS PRESSING AHEAD WITH AN expansion at Wanlv Lake, one of China's biggest man-made basins and the company's second-largest source of bottled drinks in 2019. Nongfu already has a facility the size of 50 football fields by the shore of the Xinfeng River, a fast-flowing waterway connected to the lake. It recently completed a second building in an industrial zone nearby and is working on a third near the body of water. China Resources Beverage Holdings Ltd., whose C'estbon brand is Nongfu's biggest competitor in China, is also setting up next door. Amid the furious construction along the riverbank, a billboard declares the government's intention to develop a "water-based economy."

Hong Yanhua, a 30-year-old fisherman who grew up by Wanlv Lake, wonders what the impact will be on his village. Almost everything there revolves around what can be caught from the lake. Most people fish for a living, or run restaurants or tackle shops that cater to tourists. Walk past any house, and there's likely to be fish drying on a shelf under the sun. But Hong hardly caught any fish during the drought in 2021. He took home about 10,000 yuan that year, half his usual earnings, mostly thanks to part-time work in restaurants. On the driest days, the tap water turned muddy for the first time in his memory. Hong says he fears that things will get worse if another dry year comes. "Watching all this development has been very annoying," he says. "There are too many bottled water companies."

Hong Yanhua Source: Bloomberg

China requires bottled water companies to conduct environmental impact assessments before building factories, and local governments set limits on how much water can be extracted based on factors including the effect on groundwater levels and downstream needs. Nongfu said in its 2022 sustainability report that it adjusts its consumption plans based on the quality and quantity of water available in the previous year and that it takes climate risks into account. The company carries out water and soil conservation projects, has pledged to cut carbon emission intensity by 20% by 2030 compared with 2019 levels and expects to switch to 100% recyclable, reusable or compostable packaging by 2025. It also gives back to local communities by funding conservation projects and education programs.

But as droughts become more severe, any goodwill that's been generated is running thin. "This company comes here and makes a profit, without bringing us any benefits," says Jiang Weigao, 30, who runs a fish restaurant in Hong's village. "If I want to drink a bottle of Nongfu Spring, I need to pay money out of my own pocket."

In some ways, backlash comes with the territory of bottling water. There's something inherently jarring about trapping some of the world's purest water and shipping it to customers far away. California regulators in September ordered BlueTriton Brands Inc. to stop drawing water for its Arrowhead brand from some springs in San Bernardino after local residents raised environmental concerns. The company said in an email that it's "disappointed" with the order and will "vigorously defend" its water rights. Communities and activists in drought-hit France have accused Danone SA, the owner of

Volvic water, of drying up water supplies. The company said in an email it has implemented measures to reduce the amount of water it draws.

Jiang Weigao Source: *Bloomberg*

But Nongfu's business model takes that tension to its extreme, because continued success relies on venturing farther into unspoiled terrain. With greater public understanding of the extreme weather ahead because of climate change and the interconnected effects of environmental damage, there's less tolerance for exploiting nature than there was when Zhong first started out. When he approached the northern Chinese town of Jingyu to establish Nongfu's first water source outside Zhejiang in 1999, the upsides were clear. The company built Jingyu's first railway to transport its bottles and helped to establish a nature reserve to protect the spring it was drawing water from —relocating an entire village of 41 families in the process.

Things changed by 2016, when Nongfu ventured outside China for the first time. The company agreed to buy Otakiri Springs, a small bottled water company in New Zealand named after an aquifer along the country's northern coast, and won approval to expand its operations. Members of the local Maori tribe, Ngati Awa, filed a lawsuit arguing that the plan would cause irreparable damage to the spiritual life force of the water. News media later reported that the government had actively courted Zhong, fueling public anger over the deal. The legal battle has gone as far as the Supreme Court and still hasn't been resolved. In the meantime, Nongfu retains the right to extract 1,200 cubic meters of water a day until 2026.



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For his next water source, Zhong has set his sights on one of the most gorgeous wonders of the world: the high mountains of Tibet. Nongfu is working to bottle melted glacier water from the Nyang River, a sparkling blue-green waterway that winds through snow-capped mountains where endangered Bengal tigers and red pandas live. Last June, Zhong visited Linzhi, a city of fewer than 240,000 people that sits by the river. Ao Liuquan, Linzhi's Communist Party chief, pledged at a panel discussion to secure land rights for Nongfu to build an extraction facility that will bottle 500,000 tons of water a year. Zhong said he would work to bring “high-quality economic and social development” to the city and achieve a “win-win” outcome.

Although Nongfu will likely be the biggest business in the region, it's entering an industry that's already booming thanks to government support and the premium placed on Tibet's crystal-clear waters. Officials in Tibet want to turn bottling water into a key economic driver. The local government aims to produce 10 million tons of bottled water a year by 2025.

But the snowmelt that companies such as Nongfu are after could soon start decreasing as the planet keeps heating up, says Lonnie Thompson, a professor of paleoclimatology at Ohio State University who's studied the region for almost 40 years. The Tibetan Plateau, which feeds the Nyang River, has already lost more than 15% of its glaciers over the past five decades. “It's going to become a dwindling resource,” he says.

Ma Jun, director of the Institute of Public and Environmental Affairs in Beijing and author of the book China's Water Crisis, says he worries that the number of companies crowding into Chinese springs and lakes will cause severe environmental damage. But as Zhong has become the country's richest man, he says, more people are seeking to emulate his success in the bottled water industry.

“Ultimately, water sources are limited,” Ma says. “What we fear is that everybody will swarm in.” – *Coco Liu, Luz Ding and Martin Ritchie*

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