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福田實業(集團)有限公司
Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability) (Stock Code: 420)

PROFIT WARNING

This announcement is made by Fountain Set (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020 and other information currently available to the Board, the Group is expected to record imbalance of profit and loss for six months ended 30 June 2020 as compared to the net profit of approximately HKD90.6 million for the six months ended 30 June 2019. The imbalance of profit and loss is mainly due to the outbreak of the COVID-19 pandemic globally (“**COVID-19**”) that as a result of the downturn in the business environment and production operation.

Despite the difficult operating environment, the Board noted that the sales market has been recovering slowly since May 2020. Besides, the liquidity of the Group remains strong. The Board estimates that the Group will have approximately HK\$ 1,120 million of cash and cash equivalent as of 30 June 2020, as compared to that of about HK\$ 940 million as of 31 December 2019. The Group will closely monitor the market situation and the development of the COVID-19 epidemic and will focus on making full use of existing production capacity for the rest of this year to increase profitability and enhance financial stability of the Group.

The information contained in this announcement is only based on a preliminary assessment by the Board based on information currently available to it, including the unaudited consolidated management accounts of the Group for the six months ended 30 June 2020, which have not been reviewed nor audited by the Company’s auditors or the audit committee of the Company. The Board also wishes to emphasize that the performance of the Group can be affected by market environment, including cotton yarn market price, the development of the global COVID-19 pandemic and the status of the Sino-US trade war. The Group’s interim results for the Period will be announced by the end of August 2020 in compliance with the Listing Rules. Shareholders and potential investors are advised to read the unaudited interim results announcement of the Company when it is published.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board of
Fountain Set (Holdings) Limited
ZHAO Yao
Chairman and Chief Executive Officer

Hong Kong, 10 July 2020

As at the date of this announcement, the Board comprises 4 executive directors, namely Mr. ZHAO Yao (Chairman and Chief Executive Officer), Mr. LIU Xianfu, Mr. TAO Yongming and Mr. YAU Hang Tat Andrew; 2 non-executive directors, namely Dr. YEN Gordon (Non-executive Vice Chairman) and Mr. SUN Fujji; and 3 independent non-executive directors, namely Mr. NG Kwok Tung, Mr. YING Wei and Mr. William LAM.