
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **Fountain Set (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSALS FOR (1) RE-ELECTION OF RETIRING DIRECTORS; AND (2) GENERAL MANDATES TO ISSUE AND BUY BACK SHARES; AND NOTICE OF ANNUAL GENERAL MEETING

Capitalised terms used in the lower portion of this cover shall have the same respective meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 3 to 6 of this circular.

The notice of AGM to be held at Block A, 6th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Friday, 7 May 2021 at 9:30 a.m. is set out on pages 11 to 13 of this circular. If you are unable to attend the AGM but wish to exercise your right as a Shareholder, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours (excluding any public holiday in Hong Kong) before the time appointed for holding the AGM or the adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or the adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Due to the novel coronavirus epidemic, food or beverages will not be arranged for the AGM. A Shareholder attending the AGM in person or by proxy will be offered one set of souvenir only regardless of the number of Shares he/she holds or represents, or the number of Shareholders he/she represents.

7 April 2021

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This circular is prepared in both English and Chinese. In the event of any inconsistency, the English text of this circular will prevail.

DEFINITIONS

In this circular, the following expressions have the following respective meanings unless the context otherwise requires:

“AGM”	the annual general meeting of the Company to be held at Block A, 6th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Friday, 7 May 2021 at 9:30 a.m.;
“Articles of Association”	the articles of association of the Company, and a reference to an “Article” is a reference to a provision in the Articles of Association;
“Audit Committee”	the audit committee of the Board;
“Board”	the board of Directors;
“Buy-back Mandate”	the general and unconditional mandate to be granted to the Directors authorising the buy-back by the Company on the Stock Exchange of Shares not exceeding 10% of the aggregate number of the issued Shares as at the date of passing the resolution approving such mandate;
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	Fountain Set (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 420);

DEFINITIONS

“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“ED(s)”	the executive Director(s);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“INED(s)”	the independent non-executive Director(s);
“Issue Mandate”	the general and unconditional mandate to be granted to the Directors to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the resolution approving such mandate;
“Latest Practicable Date”	25 March 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NED(s)”	the non-executive Director(s);
“Nomination Committee”	the nomination committee of the Board;
“PRC”	the People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Remuneration Committee”	the remuneration committee of the Board;
“Retiring Directors”	the Directors, namely Messrs. LIU Xianfu, TAO Yongming, SUN Fuji and ZHANG Zheng, who are subject to retirement at the AGM according to the Articles of Association;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	registered holder(s) of fully-paid Shares;
“Shares”	ordinary shares in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Takeovers Code”	the Code on Takeovers and Mergers as amended from time to time and administered by the SFC;
“USA”	the United States of America;
“Year”	the year ended 31 December 2020; and
“%”	percentage or per cent.

LETTER FROM THE BOARD



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

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

Executive Directors:

Mr. ZHAO Yao (*Chairman and Chief Executive Officer*)
Mr. LIU Xianfu
Mr. TAO Yongming
Mr. YAU Hang Tat Andrew
Mr. ZHANG Zheng

Registered office:

Block A, 6 Floor
Eastern Sea Industrial Building
29-39 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

Non-executive Directors:

Dr. YEN Gordon (*Non-executive Vice Chairman*)
Mr. SUN Fuji

Independent Non-executive Directors:

Mr. NG Kwok Tung
Mr. YING Wei
Mr. William LAM

7 April 2021

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
(1) RE-ELECTION OF RETIRING DIRECTORS;
AND
(2) GENERAL MANDATES TO ISSUE AND BUY BACK SHARES;
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with requisite information regarding certain resolutions to be proposed at the AGM and the notice of the AGM. The proposed resolutions include (i) re-election of the Retiring Directors; and (ii) grant of general mandates to issue and buy back Shares.

2. RE-ELECTION OF RETIRING DIRECTORS

Presently, the Board comprises 10 Directors, of which 5 are EDs, namely Mr. ZHAO Yao, Mr. LIU Xianfu ("**Mr. LIU**"), Mr. TAO Yongming ("**Mr. TAO**"), Mr. YAU Hang Tat Andrew and Mr. ZHANG Zheng ("**Mr. ZHANG**"); 2 are NEDs, namely Dr. YEN Gordon and Mr. SUN Fuji ("**Mr. SUN**"); and 3 are INEDs, namely Mr. NG Kwok Tung, Mr. YING Wei and Mr. William LAM.

In accordance with Article 102(A) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third or any other number subject to such manner of rotation as may be required by the statutes, the Listing Rules or other codes, rules and regulations prescribed from time to time by the applicable regulatory authority, shall retire from office. The same Article also provides that the Directors to retire in every year shall be those who have been the longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Accordingly, Mr. LIU, Mr. TAO and Mr. SUN will retire by rotation at the AGM. All of them, being eligible, have offered themselves for re-election at the AGM.

LETTER FROM THE BOARD

According to Article 93 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board) and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. As Mr. ZHANG was appointed by the Board as Director with effect from 1 April 2021 as an additional Director, he will hold his office until the AGM and, being eligible, has offered himself for re-election at the AGM.

The Nomination Committee reviewed the structure, size and diversity of the Board to reflect an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness and efficiency.

Procedures and Process for Nomination of Directors

The Nomination Committee will recommend to the Board for the appointment of Directors (including an INED) in accordance with the following procedures and process:

- i. The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- ii. The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:
 - (a) Diversity in the aspects of, amongst others, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
 - (b) Commitment for responsibilities of the Board in respect of available time and relevant interest;
 - (c) Qualifications, including accomplishment and experience in the relevant industries in which the Group's business is involved;
 - (d) Independence;
 - (e) Reputation for integrity;
 - (f) Potential contributions that the individual can bring to the Board; and
 - (g) Plan(s) in place for the orderly succession of the Board.
- iii. The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;
- iv. The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;
- v. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- vi. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;
- vii. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a Director is considered, the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;
- viii. The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and
- ix. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

The re-election of the Retiring Directors has been reviewed by the Nomination Committee which made recommendation to the Board that the re-election be proposed for Shareholders' approval at the AGM.

LETTER FROM THE BOARD

In addition, the Nomination Committee had evaluated the performance of each of the Retiring Directors (except Mr. ZHANG who was appointed on 1 April 2021) for the Year based on the nomination policy of the Company and found their performance satisfactory. The Nomination Committee is also of the view that based on the perspectives, skills and experience of the Retiring Directors, they can bring further contributions to the Board and its diversity. The Board, with the recommendation of the Nomination Committee, has proposed that the Retiring Directors stand for re-election as Directors at the AGM. As a good corporate governance practice, each of the Retiring Directors abstained from voting at the relevant Board meeting or on the written resolutions in respect of the proposition of his recommendation for re-election by the Shareholders. The Board believes that the continuous appointment of the Retiring Directors contributes to the stability and diversity of the Board.

Pursuant to Rule 13.74 of the Listing Rules, the listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any director(s) proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting. The requisite details of the Retiring Directors are set out in Appendix I to this circular.

3. GENERAL MANDATES TO ISSUE AND BUY BACK SHARES

It will be proposed at the AGM to grant to the Directors (i) an Issue Mandate to allot, issue and deal with Shares up to a limit equal to 20% of the aggregate number of the issued Shares as at the date of passing the relevant resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate number of the Shares bought back by the Company under the Buy-back Mandate and (ii) a Buy-back Mandate to buy back Shares not exceeding 10% of the aggregate number of the Shares in issue as at the date of passing the relevant resolution.

As at the Latest Practicable Date, a total of 1,225,026,960 Shares were in issue. Subject to the passing of the proposed resolutions granting the Issue Mandate and the Buy-back Mandate to the Directors and on the basis that no Shares will be issued and/or bought back and cancelled by the Company prior to the AGM, the Company would be allowed under (i) the Issue Mandate to issue a maximum of 245,005,392 Shares, representing 20% of the aggregate number of the issued Shares as at the date of the AGM; and (ii) the Buy-back Mandate to buy back a maximum of 122,502,696 Shares, representing 10% of the aggregate number of the issued Shares as at the date of the AGM.

The Issue Mandate and the Buy-back Mandate would expire at the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors.

An explanatory statement, as required by the Listing Rules to be given to the Shareholders in connection with the Buy-back Mandate, is set out in Appendix II to this circular.

4. THE AGM

A notice convening the AGM to be held on Friday, 7 May 2021 is set out on pages 11 to 13 of this circular. A form of proxy in connection with the AGM is also enclosed with this circular. If you are unable to attend the AGM but wish to exercise your right as a Shareholder, you are requested to complete the form of proxy and return it to the Company's share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours (excluding any public holiday in Hong Kong) before the time appointed for holding the AGM or the adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or the adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

5. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to a procedural or an administrative matter to be voted on by a show of hands, any vote of the Shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the AGM will be voted on by way of poll. The chairman of the AGM will explain the detailed procedures for conducting a poll at the commencement of the AGM.

After the conclusion of the AGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

LETTER FROM THE BOARD

6. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

7. RECOMMENDATION

The Board is of the opinion that the re-election of the Retiring Directors and the granting of general mandates to the Directors to issue and buy back Shares are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of all the relevant resolutions to be proposed at the AGM.

8. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular. The English version of this circular shall prevail over the Chinese version in case of any discrepancy or inconsistency between the two versions.

Yours faithfully,
For and on behalf of the Board
Fountain Set (Holdings) Limited
ZHAO Yao
Chairman and Chief Executive Officer

The biographical and other details of the Retiring Directors proposed to be re-elected at the AGM are set out as follows:

Mr. LIU Xianfu

Aged 55, was appointed as an ED on 28 August 2018. Mr. LIU has over 26 years of experience in the textile industry. He joined Chinatex Corporation Limited* (“**Chinatex**”) (a controlling shareholder of the Company) in 1994 and has held positions such as the Deputy Finance Section Chief of Chinatex Cotton Yarns and Fabrics Import and Export Corporation, the Deputy General Manager of Chinatex Real Estate Administration Co., Ltd., the Deputy General Manager of Finance Department of Chinatex, the General Manager of Audit Department of Chinatex, the General Manager of Finance Department of Chinatex, the General Manager of Chinatex Raw Materials International Trading Corporation, and the Vice President of Chinatex. Mr. LIU has served as the Chief Accountant of Chinatex since March 2017. Mr. LIU graduated from Anhui University of Finance and Economics (formerly known as Anhui Finance and Trade College*) in the PRC in 1987 in professional accounting with a Bachelor’s degree of Economics. He graduated in finance and obtained a Master’s degree in Economics from Chinese Academy of Fiscal Sciences (formerly known as The Research Institute for Fiscal Science) in the PRC in 1990 and an Executive Master of Business Administration degree from The University of Texas at Arlington, USA in December 2010.

Mr. LIU has entered into a service agreement (the “**First Service Agreement**”) with the Company for a term of 3 years commencing on 28 August 2018, which is terminable by either the Company or Mr. LIU by giving no less than 6 months’ advance notice in writing to each other. Mr. LIU’s position as an ED is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Pursuant to the First Service Agreement, the director’s fee and other monetary remuneration are waived by Mr. LIU.

Mr. TAO Yongming

Aged 55, was appointed as an ED and a member of the Remuneration Committee on 28 August 2018. Mr. TAO joined China National Cereals, Oils and Foodstuffs Corporation (“**COFCO**”), formerly known as China National Cereals, Oils & Foodstuffs Import & Export Corporation, a controlling shareholder of the Company, in 1987 and has held positions such as the Officer and Deputy General Manager of Planning and Finance Department of COFCO, the Executive Vice President of COFCO Capital Corporation, a subsidiary of COFCO, the General Manager of Shandong Peanut Import and Export Co., Ltd.*, a subsidiary of COFCO, the Deputy General Manager of Risk Management Department of the Auditing & Supervision Department of COFCO, the Deputy General Manager of Audit Management Department of Audit, Legal and Risk Management Department of COFCO, the General Manager of Discipline Inspection & Supervision Department of Chinatex (a controlling shareholder of the Company). Mr. TAO has served as the General Manager of Audit, Legal and Risk Management Department of Chinatex since May 2017. Mr. TAO graduated from Renmin University of China with a Bachelor’s degree in Foreign Trade Accounting in the PRC in 1987.

Mr. TAO has entered into a service agreement (the “**Second Service Agreement**”) with the Company for a term of 3 years commencing on 28 August 2018, which is terminable by either the Company or Mr. TAO by giving no less than 6 months’ advance notice in writing to each other. Mr. TAO’s position as an ED is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Pursuant to the Second Service Agreement, the director’s fee and other monetary remuneration are waived by Mr. TAO.

Mr. SUN Fuji

Aged 57, was appointed as a NED and a member of the Audit Committee on 28 August 2018. Mr. SUN is a senior engineer. He has over 36 years of experience in the textile industry. Mr. SUN joined Zhucheng Chinatex Sunrise Textiles Co., Ltd. (formerly known as Zhucheng Cotton Spinning Factory) in 1984 and has held positions such as the Technician and the Deputy Officer of Front Spinning Department, the Factory Director Assistant and the Deputy Factory Director of Zhucheng Cotton Spinning Factory, the Deputy General Manager of Zhucheng Textiles Corporation, and the General Manager of Chinatex Jinwei Textiles Co., Ltd.* (“**Chinatex Jinwei**”) and the General Manager of Chinatex Sunrise Textiles Co., Ltd. (“**Chinatex Sunrise**”). Mr. SUN has served as the Deputy General Manager of Textile & Garment BU, a subsidiary of Chinatex (a controlling shareholder of the Company), the General Manager of Chinatex Jinwei and the General Manager of Chinatex Sunrise since May 2017. Mr. SUN graduated with a Bachelor’s degree in engineering from the Textile Department of Cotton Manufacturing of Shandong Textiles Engineering Institute in the PRC in 1984.

Mr. SUN has entered into a letter of appointment (the “**Letter of Appointment**”) with the Company for a term of 1 year commencing on 28 August 2020, which is terminable by either the Company or Mr. SUN by giving no less than 1 month’s advance notice in writing to each other. Mr. SUN’s position as a NED is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Pursuant to the Letter of Appointment, the director’s fee and other monetary remuneration are waived by Mr. SUN.

Mr. ZHANG Zheng

Aged 35, was appointed as an ED on 1 April 2021. Mr. ZHANG joined Huafu Fashion Co., Ltd. (“**Huafu**”), a company listed on Shenzhen Stock Exchange, in 2017, he is currently the company director, vice-president and board secretary of Huafu (a substantial shareholder of the Company). Mr. ZHANG was the Researcher, Assistant of Fund Manager and Fund Manager of Da Cheng Fund Management Co., Ltd between 2011 and 2017. Mr. ZHANG has adequate knowledge in corporate management, capital market and risk management. Mr. ZHANG obtained with the professional qualification of board secretary in 2017. Mr. ZHANG graduated with a Bachelor Degree in Economics from Renmin University of China in 2009, and a Master’s Degree in Economics from Renmin University of China in 2011.

Mr. ZHANG has entered into a service agreement (the “**Third Service Agreement**”) with the Company for a term of 3 years commencing on 1 April 2021, which is terminable by either the Company or Mr. ZHANG by giving no less than 6 months’ advance notice in writing to each other. Mr. ZHANG’s position as an ED is subject to retirement and re-election at annual general meetings in accordance with the Articles of Association. Pursuant to the Third Service Agreement, the director’s fee and other monetary remuneration are waived by Mr. ZHANG.

GENERAL INFORMATION

Save as disclosed above, as at the Latest Practicable Date, Mr. LIU, Mr. TAO, Mr. SUN and Mr. ZHANG

- (i) did not hold any directorship in other listed companies during the past three years nor any other position in any member of the Group;
- (ii) did not have any relationship with any other Director, senior management, substantial shareholder or controlling shareholder of the Company; and
- (iii) did not have any interest in the shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. LIU, Mr. TAO, Mr. SUN and Mr. ZHANG has confirmed that there is no other information to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules nor are there any other matters that need to be brought to the attention of the Shareholders in respect of their re-election.

* *the English translation of Chinese name is for information purpose only and should not be regarded as the official English translation of such Chinese name.*

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide you with the requisite information for your consideration of the Buy-back Mandate and also constitutes the memorandum required under section 239 of the Companies Ordinance.

1. LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy back their shares on the Stock Exchange or on any other stock exchange on which the shares of the companies may be listed and recognised by the SFC and the Stock Exchange for this purpose subject to certain restrictions, the most important of which are summarised below:

- (a) the shares proposed to be bought back by the company are fully-paid up;
- (b) the company has previously sent to its shareholders an explanatory statement complying with the Listing Rules; and
- (c) the shareholders of the company have given a specific approval or a general mandate to the directors of the company to make such buy-back, by way of an ordinary resolution which complies with the Listing Rules and has been passed at a general meeting of the company duly convened and held.

2. SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 1,225,026,960 Shares in issue, all of which were fully paid up.

Subject to the passing of the Ordinary Resolution as referred to in item 6(A) of the notice convening the AGM and on the basis that no further Shares are issued or no Shares are bought back and cancelled between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 122,502,696 Shares which are fully paid up during the period from the date of the AGM up to (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such authority, whichever occurs first.

3. REASONS FOR BUY-BACKS

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from the Shareholders to enable the Directors to buy back the Shares on the market.

Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or its earnings per share and will only be made when the Directors believe that such buy-backs will benefit the Company and the Shareholders.

4. FUNDING OF BUY-BACKS

In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the Companies Ordinance. It is proposed that buy-back of Shares under the Buy-back Mandate in these circumstances would be financed from available cash flow or working capital facilities of the Group.

The Companies Ordinance provides that the Company may make a payment in respect of a redemption or buy-back of its own Shares out of (i) the Company's distributable profits; (ii) the proceeds of a fresh issue of Shares made for the purpose of the redemption or buy-back; or (iii) the capital of the Company. The Companies Ordinance further provides that a listed company must not make a payment out of capital in respect of a buy-back of its own shares on a recognised stock market or on an approved stock exchange.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements of the Group for the Year contained in the Company's 2020 Annual Report) in the event that the proposed buy-back of Shares was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Highest HK\$	Lowest HK\$
2020		
March	1.190	0.950
April	1.210	1.000
May	1.188	0.980
June	1.030	0.900
July	0.990	0.850
August	0.940	0.860
September	0.900	0.860
October	0.960	0.870
November	0.930	0.850
December	0.930	0.890
2021		
January	1.010	0.910
February	0.990	0.920
March (up to and including the Latest Practicable Date)	1.070	0.910

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make share buy-backs pursuant to the proposed Ordinary Resolution as referred to in item 6(A) of the notice convening the AGM in accordance with the Listing Rules and the applicable laws of Hong Kong.

7. EFFECTS ON THE TAKEOVERS CODE

If as a result of the share buy-backs, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, COFCO Corporation (中糧集團有限公司), a controlling shareholder of the Company, together with its close associates were interested in an aggregate of 465,262,000 Shares, representing approximately 37.98% of the total number of Shares in issue. Based on such shareholding, and in the event that the Directors exercised in full the Buy-back Mandate, the beneficial interests of COFCO Corporation together with its close associates in the issued Shares would be increased to approximately 42.20% of the total number of Shares in issue. The Directors believe that such an increase will give rise to an obligation of COFCO Corporation together with its close associates to make a mandatory offer in respect of all the remaining issued Shares not owned by them under Rule 26 of the Takeovers Code as they will be regarded as having acquired in any period of 12 months additional Shares carrying more than 2% of the voting rights. The Directors have no present intention to exercise the power to buy back Shares pursuant to the Buy-back Mandate to such an extent that COFCO Corporation together with its close associates will have an obligation to make a mandatory offer under the Takeovers Code and the number of Shares held by the public would be reduced to less than 25% of the total number of Shares in issue.

Save as aforesaid, the Directors are not aware of any Shareholders or a group of Shareholders acting in concert which will give rise to an obligation to make a mandatory offer under the Takeovers Code as a consequence of any buy-backs made under the Buy-back Mandate.

8. DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates presently intend to sell Shares to the Company under the Buy-back Mandate in the event that the Buy-back Mandate is approved by the Shareholders.

The Company has not been notified by any core connected persons that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Buy-back Mandate is approved by the Shareholders.

9. SHARES BOUGHT BACK BY THE COMPANY

The Company had not bought back any of the Shares (whether on the Stock Exchange or otherwise) during the 6 months preceding the Latest Practicable Date.

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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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Fountain Set (Holdings) Limited (the “**Company**” and the “**Meeting**”, respectively) will be held at Block A, 6th Floor, Eastern Sea Industrial Building, 29-39 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong on Friday, 7 May 2021 at 9:30 a.m., or the adjournment thereof, for the following purposes:

1. To consider and adopt the audited consolidated financial statements of the Company and its subsidiaries, the directors’ report and the independent auditor’s report for the year ended 31 December 2020 (the “**Year**”).
2. To approve the payment of a final dividend of HK7.00 cents per share in the capital of the Company for the Year.
3. (A) To re-elect Mr. LIU Xianfu as an executive director of the Company.
(B) To re-elect Mr. TAO Yongming as an executive director of the Company.
(C) To re-elect Mr. SUN Fuji as a non-executive director of the Company.
(D) To re-elect Mr. ZHANG Zheng as an executive director of the Company.
4. To authorise the board of directors of the Company (the “**Directors**” and the “**Board**”, respectively) to fix the Directors’ remuneration.
5. To re-appoint BDO Limited as the independent auditor of the Company in respect of the Company’s financial statements for the year ending 31 December 2021 and to authorise the Board to fix its remuneration.
6. To consider and, if thought fit, to pass with or without amendments, the following resolutions as Ordinary Resolutions of the Company:

ORDINARY RESOLUTIONS

- (A) “**THAT:**
- (i) subject to paragraph (ii) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to buy back shares in the capital of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
 - (ii) the aggregate number of Shares to be bought back by the Company pursuant to the approval in paragraph (i) of this Resolution shall not exceed 10 per cent. of the aggregate number of Shares in issue at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and
 - (iii) for the purposes of this Resolution,
“Relevant Period” means the period from passing of this Resolution until whichever is the earliest of:
 - (a) the conclusion of the next annual general meeting of the Company; or
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws of Hong Kong to be held; or

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- (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(B) **“THAT:**

- (i) subject to paragraph (iii) of this Resolution and pursuant to sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the exercise by the directors of the Company (the **“Directors”**) during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company (the **“Shares”**) and to make and grant offers, agreements and options (including bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into or exchangeable for Shares) which would or might require the Shares to be allotted be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this Resolution shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options (including bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into or exchangeable for Shares) which would or might require the Shares to be allotted after the end of the Relevant Period;
- (iii) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i) of this Resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); or (b) an issue of Shares upon the exercise of subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of Shares or rights to acquire Shares; or (c) any issue of Shares pursuant to the exercise of rights of subscription, conversion or exchange under the terms of any existing bonds, debentures, notes and other securities of the Company which carry rights to subscribe for or are convertible into or exchangeable for Shares; or (d) an issue of Shares pursuant to any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of the dividend on Shares in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate number of Shares in issue at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and
- (iv) for the purposes of this Resolution,

“Relevant Period” shall have the same meaning as ascribed to it in Ordinary Resolution 6(A) set out in the notice convening this meeting.

“Rights Issue” means an offer of Shares or issue of option or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors to holders of Shares, or any class of Shares, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such Shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

- (C) **“THAT** conditional upon the passing of Ordinary Resolutions 6(A) and 6(B) set out in the notice convening this meeting (the **“Notice”**), the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with any additional shares of the Company (the **“Shares”**) pursuant to Ordinary Resolution 6(B) of the Notice be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares bought back by the Company under the authority granted pursuant to the Ordinary Resolution 6(A) of the Notice, provided that such extended amount shall not exceed 10 per cent. of the aggregate number of Shares in issue at the date of the passing of this Resolution.”

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

Hong Kong, 7 April 2021

NOTICE OF AGM

Registered Office:

Block A, 6th Floor
Eastern Sea Industrial Building
29-39 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

Notes:

1. Any member of the Company (the "**Member**" or "**Shareholder**") entitled to attend and vote at the Meeting is entitled to appoint one (or, if he/she/it holds two or more shares of the Company (the "**Shares**"), more than one) proxy to attend and vote instead of him/her/it. A proxy need not be a Member.
2. In order to be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours (excluding any public holiday in Hong Kong) before the time appointed for the holding of the Meeting or the adjournment thereof.
3. The register of members of the Company (the "**Register of Members**") will be closed from Tuesday, 4 May 2021 to Friday, 7 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, the non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 May 2021.
4. Subject to the passing of ordinary resolution 2 of this Notice, the Register of Members will be closed from Tuesday, 18 May 2021 to Thursday, 20 May 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to ascertain Shareholders' entitlement to the proposed final dividend, the non-registered Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 May 2021.
5. At the Meeting, the chairman of the Meeting will exercise his power under article 73 of the articles of association of the Company to put all the resolutions set out in this Notice to be voted by way of poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). On a poll, every Member present in person (or in the case of the corporation by its corporate representative) or by proxy shall have one vote for each Share of which he/she/it is the holder.
6. Completion and return of the form of proxy will not preclude a Member from attending and voting in person at the Meeting or the adjournment thereof should the Member so wish and in such event, the authority of the proxy shall be deemed to be revoked.
7. Due to the novel coronavirus epidemic, food or beverages will not be arranged for the Meeting. A Shareholder attending the Meeting in person or by proxy will be offered one set of souvenir only regardless of the number of Shares he/she holds or represents, or the number of Shareholders he/she represents.
8.
 - (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No.8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the Meeting, the Meeting will be postponed and Members will be informed of the date, time and venue of the postponed Meeting by a supplemental notice posted on the respective websites of the Company and the Stock Exchange.
 - (b) If a tropical cyclone warning signal No.8 or above or a black rainstorm warning signal is lowered or cancelled 3 hours or more before the time appointed for holding the Meeting and where conditions permit, the Meeting will be held as scheduled.
 - (c) The Meeting will be held as scheduled when a tropical cyclone warning signal No.3 or below or an amber or red rainstorm warning signal is in force.
 - (d) After considering their own situations, Members should decide on their own whether or not they would attend the Meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.
9. The translation into Chinese language of this Notice is for reference only. In case of any inconsistency, the English version shall prevail.