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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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; (2) GENERAL MANDATES TO ISSUE AND BUY BACK SHARES; AND NOTICE OF ANNUAL GENERAL MEETING

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Capitalised terms used in the lower portion of this cover and the inside 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, 21 June 2024 at 9:30 a.m. is set out on pages 12 to 14 of this circular. **The Company reminds Shareholders who are unable to attend the AGM but wish to exercise his/ her/its voting rights that he/she/it must appoint the chairman of the AGM as his/her/its proxy to vote on the relevant resolution at the AGM.** Please 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. Food, beverages and/or souvenir will not be offered in the AGM.

29 May 2024

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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 shall prevail.*

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## DEFINITIONS

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*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, 21 June 2024 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;
“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);
“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”	22 May 2024, 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 Mr. LIU Xianfu, Ms. ZHAO Jianli, Mr. ZHANG Zheng, Mr. TAO Yongming, Mr. NG Kwok Tung and Mr. YING Wei 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);

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## DEFINITIONS

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“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 2023; and
“%”	percentage or per cent.

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## LETTER FROM THE BOARD

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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)

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*Executive Directors:*

Mr. LIU Xianfu (*Chairman and Chief Executive Officer*)  
Dr. LI Gang  
Mr. YAU Hang Tat Andrew  
Ms. ZHAO Jianli  
Mr. ZHANG Zheng

*Registered office:*

Block A, 6th 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. TAO Yongming

*Independent Non-executive Directors:*

Mr. NG Kwok Tung  
Mr. YING Wei  
Mr. William LAM  
Mr. WONG Kwong Chi

29 May 2024

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR  
(1) RE-ELECTION OF RETIRING DIRECTORS;  
(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 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 11 Directors, of which 5 are EDs, namely Mr. LIU Xianfu (“**Mr. LIU**”), Dr. LI Gang, Mr. YAU Hang Tat Andrew, Ms. ZHAO Jianli (“**Ms. ZHAO**”) and Mr. ZHANG Zheng (“**Mr. ZHANG**”); 2 are NEDs, namely Dr. YEN Gordon and Mr. TAO Yongming (“**Mr. TAO**”); and 4 are INEDs, namely Mr. NG Kwok Tung (“**Mr. NG**”), Mr. YING Wei (“**Mr. YING**”), Mr. William LAM and Mr. WONG Kwong Chi.

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. ZHANG and Mr. TAO will retire by rotation at the AGM. All of them, being eligible, have offered themselves for re-election at the AGM.

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. Accordingly, Ms. ZHAO, who was appointed as an ED of the Company with effect from 1 December 2023, will hold office until the AGM and being eligible, has offered herself for re-election at the AGM.

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## LETTER FROM THE BOARD

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Further, pursuant to the code provision as set out in paragraph B.2.3 of Part 2 - Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, any further appointment of an INED serving more than 9 years should be subject to a separate resolution to be approved by the Shareholders. Since Mr. NG and Mr. YING have been serving as INEDs for more than 9 years, separate resolutions will be proposed for their re-election at the AGM.

Mr. NG and Mr. YING have confirmed to the Company their independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules. Having considered the requirements and obligations of the INEDs, including the independence criteria to be taken into account in assessing their independence under Rule 3.13 of the Listing Rules, the Nomination Committee, which is responsible for, amongst other matters, assessing the independence of the INEDs, is satisfied that Mr. NG and Mr. YING continues to be independent. Hence, the Board considers that the long service of Mr. NG and Mr. YING would not affect their exercise of independent judgements.

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.

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## LETTER FROM THE BOARD

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

In addition, the Nomination Committee had evaluated the performance of each of the Retiring Directors (except Ms. ZHAO whose appointment took effect on 1 December 2023) 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 Nomination Committee has assessed the independence of all INEDs, in particular, Mr. NG and Mr. YING who have served the Board for more than 9 years. The Board is satisfied that all INEDs satisfy the criteria set out in Rule 3.13 of the Listing Rules. 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, 21 June 2024 is set out on pages 12 to 14 of this circular.

A form of proxy in connection with the AGM is also enclosed with this circular. The Company reminds Shareholders who wish to exercise his/her/its voting rights that he/she/it must appoint the chairman of the AGM as his/her/its proxy to vote on the relevant resolutions at the AGM. Please 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.

### 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.

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## LETTER FROM THE BOARD

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### 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.

Yours faithfully,  
For and on behalf of the Board  
**Fountain Set (Holdings) Limited**  
**LIU Xianfu**  
*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 58, has been an ED since 28 August 2018 and was re-designated as a NED on 1 November 2021. He was re-designated from a NED to an ED and was further appointed as the Chairman of the Board and chairman of the Nomination Committee on 1 April 2022, and appointed as the Chief Executive Officer on 1 April 2023. Mr. LIU has over 29 years of experience in the textile industry. Mr. LIU graduated from Anhui University of Finance and Economics (formerly known as Anhui Finance and Trade College\*) in the People's Republic of China (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 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, a supplemental agreement (the "**First Supplemental Agreement**") on 1 November 2021 and a supplemental agreement (the "**Second Supplemental Agreement**") on 3 August 2023, which are 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 First Supplemental Agreement and the Second Supplemental Agreement, the director's fee and other monetary remuneration are waived by Mr. LIU.

**Ms. ZHAO Jianli**

Aged 47, was appointed on 1 December 2023 as an ED. She is a legal professional with legal professional qualification\* (法律職業資格) and corporate lawyer qualification\* (公司律師資格) in China. She has 21 years of experience in legal, strategic, and board management. Ms. ZHAO graduated with a Bachelor's degree in Laws and obtained her Master's degree in Laws from Peking University Law School in 1999 and 2002 respectively.

Ms. ZHAO has entered into a service agreement (the "**Second Service Agreement**") with the Company for a term of 3 years commencing on 1 December 2023, which is terminable by either the Company or Ms. ZHAO by giving no less than 6 months' advance notice in writing to each other. Ms. ZHAO'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 Ms. ZHAO.

**Mr. ZHANG Zheng**

Aged 38, was appointed as an ED on 1 April 2021. Mr. ZHANG graduated with a Bachelor Degree in Economics from Renmin University of China University in 2009, and a Master's Degree in Economics from Renmin University of China in 2011. He obtained with the professional qualification of board secretary of Shenzhen Stock Exchange in 2017. Mr. ZHANG has adequate knowledge in equity financing, mergers and acquisitions and fund management. He was the Researcher, Assistant of Fund Manager and Fund Manager of Da Cheng Fund Management Co., Ltd. between 2011 and 2017. Mr. ZHANG is currently the director and board secretary of Huafu Fashion Co., Ltd., a company listed on Shenzhen Stock Exchange.

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 2024, 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 by rotation 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.

\* For identification purpose only

**Mr. TAO Yongming**

Aged 58, was appointed as an ED and a member of the Remuneration Committee on 28 August 2018 and re-designated from an ED to a NED, and remain as a member of the Remuneration Committee on 1 April 2022. Mr. TAO graduated from Renmin University of China with a Bachelor's degree in Foreign Trade Accounting in 1987.

Mr. TAO has entered into a letter of appointment (the **"First Letter of Appointment"**) with the Company for a term of 1 year, which is terminable by either the Company or Mr. TAO by giving no less than 1 month's advance notice in writing to each other. Mr. TAO'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 First Letter of Appointment, the director's fee and other monetary remuneration are waived by Mr. TAO.

**Mr. NG Kwok Tung**

Aged 73, joined the Board in 1993 as an INED, and was then appointed as the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. NG is a practising accountant. He holds a Bachelor of Commerce Degree and a Licentiatehip in Accountancy from McGill University, Canada and a Diploma in Chinese Law from the University of East Asia, Macao. Mr. NG is a member of each of Hong Kong Institute of Certified Public Accountants, Institute of Chartered Professional Accountants of British Columbia, Order of Chartered Professional Accountants of Quebec, The Canadian Institute of Chartered Professional Accountants, The Taxation Institute of Hong Kong, The Society of Chinese Accountants and Auditors and the Society of Registered Financial Planners in Hong Kong.

Mr. NG has entered into a letter of appointment (the **"Second Letter of Appointment"**) with the Company for a term of 1 year, which is terminable by either the Company or Mr. NG by giving no less than 1 month's advance notice in writing to each other. Mr. NG's position as an INED is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Pursuant to the Second Letter of Appointment, Mr. NG is entitled to a director's fee of HK\$250,000 per annum, which has been determined by the Board upon the Remuneration Committee's recommendation by reference to his duties and responsibilities in the Company, the Company's remuneration policy and the Articles of Association.

Mr. NG has served as an INED for more than 9 years. He is not involved in the daily management of the Company and does not have any relationship or is not under any circumstance which would interfere with his ability to carry out his duties as an INED impartially and independently. In addition, Mr. NG continues to demonstrate the attributes of an INED and there is no evidence that his tenure has had any impact on his independence. In light of the above, the Board is of the opinion that Mr. NG remains independent notwithstanding the length of his service and the Board believes that his valuable knowledge and experience in the Group's business and his general business acumen continue to generate significant contribution to the Company and the Shareholders as a whole. As such, the Board recommends Mr. NG for re-election as an INED at the AGM.

**Mr. YING Wei**

Aged 57, was appointed as an INED, the chairman of the Remuneration Committee and a member of the Nomination Committee on 1 January 2015. Mr. YING holds a Master's Degree in Business Administration from the University of San Francisco and a Bachelor's Degree in Economics from the Zhejiang Gongshang University (formerly known as Hangzhou Institute of Commerce) in the PRC. He is a non-practising member of the Chinese Institute of Certified Public Accountants. For the period from 1989 to 2007, Mr. YING served as an ED and the Vice President of China Resources Textiles (Holdings) Company Limited. Between 2007 and 2009, he served as the Vice President of China Water Affairs Group Limited, a company listed in Hong Kong. From July 2008 to July 2009, he held the position of an ED and the President of China City Infrastructure Group Ltd. (formerly known as China Botanic Development Holdings Limited), a company listed in Hong Kong. From September 2011 to March 2022, Mr. YING was an INED of China Hengtian Lixin International Co., LTD. From May 2016 to February 2021, he served as a director of Shenzhen listed Giant Network Group Co., LTD. (formerly known as Chongqing New Century Cruises Co., LTD.). Currently, Mr. YING is an INED of Zhongsheng Group Holdings Limited, a listed company in Hong Kong. Mr. YING is also a managing partner of CDH Investments.

Mr. YING has entered into a letter of appointment (the **"Third Letter of Appointment"**) with the Company for a term of 1 year, which is terminable by either the Company or Mr. YING by giving no less than 1 month's advance notice in writing to each other. Mr. YING's position as an INED is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles of Association. Pursuant to the Third Letter of Appointment, Mr. YING is entitled to a director's fee of HK\$200,000 per annum, which has been determined by the Board upon the Remuneration Committee's recommendation by reference to his duties and responsibilities in the Company, the Company's remuneration policy and the Articles of Association.

Mr. YING has served as an INED for more than 9 years. He is not involved in the daily management of the Company and does not have any relationship or is not under any circumstance which would interfere with his ability to carry out his duties as an INED impartially and independently. In addition, Mr. YING continues to demonstrate the attributes of an INED and there is no evidence that his tenure has had any impact on his independence. In light of the above, the Board is of the opinion that Mr. YING remains independent notwithstanding the length of his service and the Board believes that his valuable knowledge and experience in the Group's business and his general business acumen continue to generate significant contribution to the Company and the Shareholders as a whole. As such, the Board recommends Mr. YING for re-election as an INED at the AGM.

**GENERAL INFORMATION**

Save as disclosed above, as at the Latest Practicable Date, Mr. LIU, Ms. ZHAO, Mr. ZHANG, Mr. TAO, Mr. NG and Mr. YING

- (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; 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, Ms. ZHAO, Mr. ZHANG, Mr. TAO, Mr. NG and Mr. YING have 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.

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 2023 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\$
<b>2023</b>		
May	0.74	0.64
June	0.67	0.63
July	0.70	0.61
August	0.65	0.48
September	0.56	0.39
October	0.50	0.38
November	0.44	0.38
December	0.40	0.38
<b>2024</b>		
January	0.39	0.35
February	0.41	0.37
March	0.44	0.37
April	0.53	0.43
May (up to and including the Latest Practicable Date)	0.67	0.52

## 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, together with its close associates were interested in an aggregate of 485,092,000 Shares, representing approximately 39.60% 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 43.56% 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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## NOTICE OF AGM

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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)

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### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (the “**AGM**” or the “**Meeting**”) of Fountain Set (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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, 21 June 2024 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 2023 (the “**Year**”).
2. To approve the payment of a final dividend of HK3.00 cents per share in the capital of the Company (the “**Share**”) for the Year.
3. (A) To re-elect Mr. LIU Xianfu as an executive director of the Company (the “**Director(s)**”).  
(B) To re-elect Ms. ZHAO Jianli as an executive Director.  
(C) To re-elect Mr. ZHANG Zheng as an executive Director.  
(D) To re-elect Mr. TAO Yongming as a non-executive Director.  
(E) To re-elect Mr. NG Kwok Tung as an independent non-executive Director.  
(F) To re-elect Mr. YING Wei as an independent non-executive Director.
4. To authorise the board of Directors (the “**Board**”) to fix the Directors’ remuneration.
5. To re-appoint SHINEWING (HK) CPA Limited as the independent auditor of the Company in respect of the Company’s financial statements for the year ending 31 December 2024 and to authorise the Board to fix its remuneration.

To consider and, if thought fit, to pass with or without amendments, the following resolutions as Ordinary Resolutions of the Company:

#### ORDINARY RESOLUTIONS

6(A). “**THAT:**

- (i) subject to paragraph (ii) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to buy back 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 (the “**Listing Rules**”) 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
  - (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.”

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## NOTICE OF AGM

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6(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 during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional 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 the Meeting (the **“Notice”**).

“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).”

- 6(C). **“THAT** conditional upon the passing of Ordinary Resolutions 6(A) and 6(B) set out in 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 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**  
**LIU Xianfu**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 May 2024

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

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## NOTICE OF AGM

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*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, 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, 18 June 2024 to Friday, 21 June 2024, 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, 17 June 2024.
4. Subject to the passing of ordinary resolution 2 of this Notice, the Register of Members will be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024, 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 Tuesday, 2 July 2024.
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 Listing Rules. 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.
  - (a) Subject to paragraph (b) below, if a tropical cyclone warning signal No.8 or above is expected to be hoisted or an announcement of “extreme conditions” by the government of Hong Kong 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 an announcement of “extreme conditions” by the government of Hong Kong 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.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.