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

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

PROFIT WARNING

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2022 and other information currently available to the Board, the Group is expected to record a net loss attributable to owners of the Company of approximately HK\$100 million – 150 million for the year ended 31 December 2022 as compared to the net profit attributable to owners of the Company of approximately HK\$241 million for the year ended 31 December 2021.

The net loss attributable to owners of the Company for the year ended 31 December 2022 was mainly attributable to (1) reduction of consumers’ purchasing momentum due to the COVID-19 pandemic and war; (2) reduction of consumers’ purchasing power due to the overall global inflation; (3) the overstocking of the Group’s retail apparel clients lower their demand to the Group’s products; and (4) an one-off redundancy compensation paid to certain employees of the Group.

In response to the aforesaid unfavourable market conditions, the Group decided to reduce production volume in one of its fabric mills namely, Jiangyin Fuhui Textiles Ltd (“**Jiangyin Fuhui**”) and streamline the production team. An one-off redundancy compensation of approximately HK\$127 million for Group’s employees is expected to be booked in the audited annual results for the year ended 31 December 2022. Having said that, Jiangyin Fuhui will continue its operation and will be able to resume normal production when the market recovers.

This decision will help the Group ease the burden of keeping staff with less work tasks and reduce fixed costs. The Group's production operation is normal and the management team is committed to overcome ongoing difficulties and challenges. Besides, the liquidity of the Group remains strong. The Board estimates that the Group will have approximately HK\$1,394 million of cash and cash equivalent as at 31 December 2022, as compared to that of about HK\$808 million as at 31 December 2021.

The information contained in this announcement is only a preliminary assessment by the Board based on information currently available to it, including the unaudited consolidated management accounts of the Group for the year ended 31 December 2022, which have not been reviewed nor audited by the Company's auditors or the audit committee of the Company. The Board also wishes to emphasize that the performance of the Group can be affected by market environment, including cotton yarn market price, the development of the global economy and the status of the Sino-US trade war. The Group's audited annual results for the year ended 31 December 2022 will be announced by the end of March 2023 in compliance with the Listing Rules.

Shareholders and potential investors are advised to read the annual results announcement of the Company when it is published. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board of
Fountain Set (Holdings) Limited
LIU Xianfu
Chairman

Hong Kong, 20 January 2023

As at the date of this announcement, the Board comprises 5 executive Directors, namely Mr. LIU Xianfu (Chairman), Mr. SUN Fuji (Chief Executive Officer), Mr. ZHAO Yao, Mr. YAU Hang Tat Andrew and Mr. ZHANG Zheng; 2 non-executive Directors, namely Dr. YEN Gordon (Non-executive Vice Chairman) and Mr. TAO Yongming; and 4 independent non-executive Directors, namely Mr. NG Kwok Tung, Mr. YING Wei, Mr. William LAM and Mr. WONG Kwong Chi.