FOLANGSI CO., LTD
廣州佛朗斯股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2499)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The Board is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2023 together with the comparative figures for the year ended December 31, 2022 as set out below.

These annual results have been prepared in accordance with the applicable requirements of the Listing Rules and HKFRS and have been reviewed by the Audit Committee. This announcement complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcements of annual results.

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 14.9% from approximately RMB1,194.2 million for the year ended December 31, 2022 to approximately RMB1,371.8 million for the year ended December 31, 2023.

Net profit of the Group decreased by 11.9% from approximately RMB35.4 million for the year ended December 31, 2022 to approximately RMB31.2 million for the year ended December 31, 2023.

The adjusted net profit(1) increased by 98.9% from approximately RMB35.4 million for the year ended December 31, 2022 to approximately RMB70.4 million for the year ended December 31, 2023.

Note:

(1) Adjustments to net profit include the non-operating or non-recurring expenses in relation to the listing of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to CIC, the intralogistics equipment solution market in China is still in the early-stage development. Compared with developed countries and regions, such as the United States, the penetration rate of intralogistics equipment solutions in China is relatively low. The estimated penetration rate of intralogistics equipment solutions in the United States reached 54.6% in 2022, while the penetration rate of intralogistics equipment solutions in China was approximately 3.5% in 2018 and approximately 3.7% in 2022, indicating huge growth potential for the intralogistics equipment solution market in China. The penetration rate of intralogistics equipment solutions in China is expected to increase to 5.9% in 2027.

The intralogistics equipment solution market in China has experienced rapid growth over the past years. The intralogistics equipment solution market in China is expected to further increase to RMB34.9 billion in 2027 as driven by the development of manufacturing and logistics industries and the increasing demands for cost reduction and efficiency improvement. China's logistics and manufacturing industries have developed rapidly and will continue to grow in the future. China's manufacturing industry added value and the total cost of social logistics are expected to increase to RMB47.4 trillion and RMB22.9 trillion by 2027. The development of manufacturing and logistics industries has created a strong demand for intralogistics equipment, which further boosts the growth of the intralogistics equipment solution market. Meanwhile, enterprises are paying more attention to cost reduction and cutting down one-time purchase expenditures, as well as improving utilization rate and operational efficiency during the course of business development. As intralogistics equipment solutions effectively help with cost reduction regarding intralogistics equipment utilization and efficiency improvement in intralogistics equipment management, they are expected be more widely adopted by enterprises. According to CIC, intralogistics equipment solutions can help enterprises reduce operating costs by approximately 20% throughout the equipment's lifecycle compared to traditional intralogistics equipment procurement mode.

Forklifts are not only essential tools in the logistics and manufacturing industry, but also key drivers for socio-economic development. With reference to the expected growth in the intralogistics equipment solution market, industry players shall also strive to strengthen the healthy and sustainable development of the industry, improve the core competitiveness of the industry with the aim of achieving efficient development of the industry.

Group Overview

We are a leading intralogistics equipment solution provider in China. We take "improving asset utilization and saving social resources" as our mission. Focusing on intralogistics equipment subscription services, we strive to provide enterprises with one-stop solutions for intralogistics equipment utilization and management. We have an established presence in the industry, providing services that span the entire lifecycle of intralogistics equipment, including equipment subscription, repair and maintenance, and disposal. As at December 31, 2023, we had 67 offline service outlets in 47 cities throughout China, managing over 45,000 units of intralogistics equipment. As a result of our steady business expansion, coupled with various improvements in our operational capacity and sphere, we have achieved exceptional financial success in 2023. Our adjusted net profit recorded a strong increase, which has almost doubled.

Intralogistics equipment utilization and management present inherent challenges, including high purchase and maintenance costs, a need for specialized expertise, and significant management complexity. However, it is not easy for enterprises to have satisfying services from traditional service providers which only provide equipment with limited maintenance services, as most enterprises are not experts in intralogistics equipment, and may need assistance in monitoring, checking and maintaining, and operating such equipment. Our customers are offered with different subscription arrangements in terms of equipment portfolio, equipment operation guidance, scheduled maintenance and repair, and real-time operation monitoring, which help customers to save costs related to fixed asset procurement and maintenance afterwards.

On November 10, 2023, we successfully listed our Shares on the Main Board of the Stock Exchange, signifying our entry into the international capital market and gaining the financial backing necessary to propel our development forward. We are committed to leveraging these resources in seizing new business opportunities and fostering the growth of our Company in all aspects. We hope to bring the business to greater heights and our Shareholders will, of course, be witnessing this journey together with us.

Business Overview

Our Business Model and Service Offerings

Our intralogistics equipment solutions comprise the following three business segments during the Reporting Period:

- **Intralogistics Equipment Subscription Services:** We provide intralogistics equipment to customers for their usage with value-added services, including but not limited to, equipment selection, on-site operation training, general and necessary maintenance and repair, and real-time monitoring of equipment status and operation through our Intelligent Asset and Operation Management Platform. In managing this business segment, we charge customers services fees mainly based on types and configurations of equipment selected, duration they use the subscribed intralogistics equipment, and customization of related services (if applicable).

- **Maintenance and Repair Services:** In this business segment, we generate revenue from providing on-site maintenance and repair services to customers for their intralogistics equipment. We charge fees either on project basis for one-off repair services, or based on service plans where we charge fees on monthly basis for certain contract period covering equipment specified in the relevant agreement.

- **Sales of Intralogistics Equipment and Parts:** We sell new and used intralogistics equipment to enterprises in China; and intralogistics equipment parts to enterprises in China and abroad. We conduct sales through our own sales team directly to end customers. We had a broad range of customers, such as manufacturers, logistics companies, and trading companies, with intralogistics need, including movement of heavy goods and material in indoor and limited outdoor spaces.

In 2023, our innovative park business was promoted nationwide and was successfully established in regions such as Wuxi. As the intralogistics equipment solution market expands, we will continuously seek to further distinguish ourselves from other industry players in future by progressively optimizing the supply, allocation and full lifecycle management of assets, driving the efficiency, quality and power reform in both upstream and downstream, as well as advocating for sustainable development and the sharing economy. As such, we aim to establish a solid foundation for our Group's success in the long run so as to remain competitive in the rapidly-evolving field of business.

Our Technology

We consider technology capability our key strength to continuously innovate our service offerings, enhance customers' experience and optimize operation efficiency. We have always adhered to innovation-driven development. We have continuously devoted resources in developing and optimizing our comprehensive technology platform, namely Intelligent Asset and Operation Management Platform. This platform enables us to integrate and connect key operating sectors, as well as assets involved, through which, we have been able to facilitate an intelligent, efficient and cost-effective management on equipment operation and utilization, service supervision, as well as asset management. Furthermore, leveraging this platform, we believe we are able to achieve quick expansion of our business network across China, as well as management of equipment and customer portfolio with consistent quality and optimized operational efficiency.

Our Intelligent Asset and Operation Management Platform, consists of (i) IoT Smart Terminals, which consist of sensors, wearable devices, and other smart hardware serving as gateway for the collection and transmission of information on equipment status and usage patterns, which lay the foundation for our efficient business management and customer interaction; (ii) Operating Information Analysis System, which enables centralized management of intralogistics equipment and parts, and integrates, processes and analyzes comprehensive information in relation to our fleet and usage patterns collected through IoT Smart Terminals. This system delivers to us detailed equipment information at multiple dimensions as well as analytical diagrams designed to present key operating information of such equipment at multiple dimensions, based on which, our management may quickly make business decisions in relation to relevant operation arms on a well-informed basis; and (iii) Information Management and Application, where we integrate information and analytical results developed through IoT Smart Terminals and Operating Information Analysis System, to facilitate proper equipment and technician dispatch, remote control of our equipment, cost-efficient maintenance and repair service plans, and customization of services, etc..

Outlook

2024 marks a new beginning for the Company. We will capitalize fully on our post-listing brand influence and remain steadfast in our commitment to the strategy of "building a leading PRC high-dimensional and shared ecological platform for B2B industrial and logistics equipment". We will take active measures to expand our core business of intralogistics equipment subscription services, and meanwhile, we will also strengthen our organic growth forces, and concentrate our efforts to innovate business models, to accelerate improvements in both our operational performance and market share, thereby further consolidating our leading position in the industry.

While focusing on our business expansion, we will also strive to enhance our "online + offline" service capabilities and equipment remanufacturing technical process and other core competencies, so as to continuously build competitive barriers for enterprises.

Additionally, we will strengthen our layout in distribution channels and business expansion by empowering service network, diversifying service offerings, and internationalization:

Empowering service network: Our offline service network serves as the foundation for our efficient customer service response. In 2024, based on its existing service network, the Company will further enrich our offline service outlets through the expansion mode of organic growth, mergers and acquisitions, park business, and empowering partnerships, gradually advancing towards our goal of 1,000 offline service outlets.

Diversifying service offerings: To continuously increase our market share in the intralogistics equipment market and leverage our scale advantage, we will continue to expand other intralogistics equipment or industrial equipment subscription services while focusing on our solid service base for transport equipment such as Forklifts, aiming at providing customers with more comprehensive solutions.

Internationalization: We plan to establish an offline marketing network in countries with good business environment and friendly policies, and will take the first step in achieving the global layout of the Company's offline outlets under the model of "goods before services", which will also lay a solid foundation for future advancement of "service globalization" of the Company.

Financial Review

Revenue

The Group's revenue primarily came from three business segments: (i) intralogistics equipment subscription services, where we charge customers fees based on the duration they use relevant intralogistics equipment; (ii) maintenance and repair services, where we provide maintenance and repair services for customers' intralogistics equipment; and (iii) sales of intralogistics equipment and parts, where we sell new and used intralogistics equipment as well as related parts that meet customers' demands.

The following sets forth a breakdown of the Group's revenue from three business segments for the year ended December 31, 2023 and the year ended December 31, 2022:

	For the year ended December 31,				year-on-year percentage change
	2023		2022		
	RMB'000	*%*	*RMB'000*	*%*	*%*
Intralogistics equipment subscription services	**766,811**	**55.9**	738,001	61.8	3.9
Maintenance and repair services	**185,818**	**13.5**	140,987	11.8	31.8
Sales of intralogistics equipment and parts	**419,176**	**30.6**	315,221	26.4	33.0
Total	**1,371,805**	**100.0**	1,194,209	100.0	14.9

The Group's revenue increased by 14.9% from approximately RMB1,194.2 million for the year ended December 31, 2022 to approximately RMB1,371.8 million for the year ended December 31, 2023, primarily due to the following reasons:

1. Our revenue from intralogistics equipment subscription services increased by 3.9% from approximately RMB738.0 million for the year ended December 31, 2022 to approximately RMB766.8 million for the year ended December 31, 2023, primarily due to growth in our customer base and utilization rates of the intralogistics equipment driven by the Group's business expansion along with the enhancements in our operational capability in year 2023;

2. Our revenue from maintenance and repair services increased by 31.8% from approximately RMB141.0 million for the year ended December 31, 2022 to approximately RMB185.8 million for the year ended December 31, 2023, primarily due to (i) business and customer growth as a result of further market recognition of our "Repair & Maintenance Scheme" service in 2023, where we charge fees on monthly basis through providing scheduled inspections and regular maintenance services, as well as necessary part replacements and repairs for certain contract periods; and (ii) wider geographic coverage of the Group's business; and

3. Our revenue from sales of intralogistics equipment and parts increased by 33.0% from approximately RMB315.2 million for the year ended December 31, 2022 to approximately RMB419.2 million for the year ended December 31, 2023, primarily due to the increase in revenue contributed by new customers (e.g. Chengdu International Railway Port Economic and Technological Development Zone Construction and Development Co., Ltd. (成都國際鐵路港經濟技術開發區建設發展有限公司), etc.) acquired through the Group's endeavours in exploring customers in domestic and overseas markets.

Cost of Sales

The Group's cost of sales increased by 14.6% from approximately RMB832.5 million for the year ended December 31, 2022 to approximately RMB954.4 million for the year ended December 31, 2023, which is in line with the growing trend of the Group's revenue.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of the Group's gross profit and gross profit margin by revenue segments for the year ended December 31, 2023 and the year ended December 31, 2022:

	For the year ended December 31,				
	2023		2022		Year-on-year percentage change of gross profit
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	
	RMB'000	*%*	*RMB'000*	*%*	*%*
Intralogistics equipment subscription services	**238,922**	**31.2**	226,087	30.6	5.7
Maintenance and repair services	**76,573**	**41.2**	57,698	40.9	32.7
Sales of intralogistics equipment and parts	**101,904**	**24.3**	77,879	24.7	30.8
Total	**417,399**	**30.4**	361,664	30.3	15.4

The Group's gross profit increased by 15.4% from approximately RMB361.7 million for the year ended December 31, 2022 to approximately RMB417.4 million for the year ended December 31, 2023, which is in line with the growing trend of the Group's revenue; and our total gross profit margin and gross profit margin of each of the revenue segments remained relatively stable for the year ended December 31, 2023 and the year ended December 31, 2022.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 5.8% from approximately RMB86.1 million for the year ended December 31, 2022 to approximately RMB91.1 million for the year ended December 31, 2023, primarily due to increase in office expenses and staff expenses of our marketing department to cope with our business needs arising from the enlarged business scales and service network.

Administrative Expenses

The Group's administrative expenses increased by 8.0% from approximately RMB156.9 million for the year ended December 31, 2022 to approximately RMB169.5 million for the year ended December 31, 2023, primarily due to (i) the growth in the headcount of our administrative department to facilitate our business development; and (ii) the additional administrative expenses for our newly-built remanufacturing base in Hefei.

Other Income and Gains

The Group's other income and gains remained relatively stable at approximately RMB6.3 million for the year ended December 31, 2023 and the year ended December 31, 2022.

Other Expenses

The Group's other expenses increased by 1,514.3% from approximately RMB2.8 million for the year ended December 31, 2022 to approximately RMB45.2 million for the year ended December 31, 2023, primarily due to the recognition of listing expenses.

Finance Costs

The Group's finance costs increased by 1.8% from approximately RMB83.6 million for the year ended December 31, 2022 to approximately RMB85.1 million for the year ended December 31, 2023, primarily due to increased interests on bank loans and other borrowings to support our business development.

Income Tax Expenses/(Credit) and Effective Tax Rate

The Group recorded income tax credit of approximately RMB0.6 million and effective tax rate of negative 1.9% for the year ended December 31, 2023, while it recorded income tax expenses of RMB20 thousand and effective tax rate of approximately nil for the year ended December 31, 2022. The change was primarily due to the increase in tax benefits from additional deductions for qualified research and development expenses.

Profit for the Year

As a result of the above, our profit for the year decreased by 11.9% from approximately RMB35.4 million for the year ended December 31, 2022 to approximately RMB31.2 million for the year ended December 31, 2023.

Non-HKFRS Measure – Adjusted Net Profit

To supplement our financial information which is presented in accordance with HKFRS, we also provide adjusted net profit as non-HKFRS measures, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. We believe that the non-HKFRS measure (i) facilitates comparisons of operating performance from year to year by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance; and (ii) provides useful information to investors in understanding and evaluating our results of consolidated statements of comprehensive income in the same manner as they helped our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The application of the non-HKFRS measure has limitations as an analytical tool, and the Shareholders and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS. We defined adjusted net profit as profit/loss for the year adjusted for items which are non-recurring or extraordinary, including listing expenses in relation to the Group's Listing. We eliminate the potential impacts of these items that our management does not consider to be indicative of our operating performance, as they are either non-operating or non-recurring expenses of our Group.

Our adjusted net profit for the year ended December 31, 2023 was approximately RMB70.4 million after eliminating the impact of the listing expenses of approximately RMB39.2 million in relation to the listing of the Group that the management of the Group considers to be non-operating or non-recurring expenses, representing an increase of 98.9% as compared with the net profit of approximately RMB35.4 million for the year ended December 31, 2022, primarily due to customer growth and increased utilization rates of intralogistics equipment driven by the Group's business expansion and enhanced operational capability and revenue contributed by new customers acquired from the Group's proactive expansion in domestic and overseas markets.

Liquidity, Financial Resources, Treasury Policies and Capital Structure

As at December 31, 2023, the Group had current assets of approximately RMB846.5 million, representing an increase of 33.1% from approximately RMB636.1 million for the year ended December 31, 2022, primarily due to the proceeds raised upon successful listing. The Group had current liabilities of approximately RMB1,117.3 million, representing an increase of 23.7% from approximately RMB903.4 million for the year ended December 31, 2022, primarily due to the increase in bank and other borrowings to support our business development. As a result, the Group's net current liabilities amounted to approximately RMB270.8 million as at December 31, 2023 (December 31, 2022: RMB267.4 million). The Group's current ratio was 0.76 at December 31, 2023 as compared with 0.70 at December 31, 2022, which equals to total current assets divided by total current liabilities as at the end of the year.

As at December 31, 2023, the Group's cash and cash equivalents amounted to approximately RMB200.8 million (December 31, 2022: RMB120.6 million), which is mainly funded from the proceeds raised upon successful listing, funds generated from operations, and facilities from bank and other borrowings. As at December 31, 2023 and December 31, 2022, the Group's total facilities for bank and other borrowings amounted to RMB3,032,161,000 and RMB2,235,911,000 of which RMB1,582,858,000 and RMB1,367,787,000 had been utilized, respectively.

The H Shares have been listed on the Stock Exchange since the Listing Date. There has been no change in the capital structure of the Company since the Listing Date. The capital of the Company comprises ordinary shares including the Unlisted Shares and H Shares.

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operations as well as capital expenditures are met.

We aim to maintain sufficient cash and facilities to meet our liquidity requirements. We finance our working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize Shareholders' value. To effectively improve the utilization rate and liquidity of our idle cash, we purchased structured deposits of approximately RMB40.0 million in 2023 (2022: RMB650.0 million) in total, which were issued by domestic systemically important banks[1] (D-SIBs) released by the People's Bank of China. The funds invested in structured deposits were all redeemed on or before December 31, 2023.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares.

Pledge of Assets

As at December 31, 2023, the Group pledged assets of approximately RMB418.8 million as collateral for bank borrowings or any other financing activities, representing an increase of 32.2% from approximately RMB316.8 million as at December 31, 2022.

Exposure to Fluctuations in Foreign Exchange Rates

The Group's business operations are mainly conducted in the PRC with most of the transactions settled in RMB, being the Group's functional currency. Meanwhile, the Group had certain transactions with overseas customers, which were mostly settled in U.S. dollars. As of December 31, 2023, the Group has not entered into any exchange contract or any hedging transaction or instrument against exposure to fluctuations in the exchange rate of RMB against U.S. dollars. However, the Group will monitor foreign exchange risks regularly and consider hedging significant foreign currency risks when necessary.

1 As reported in the news released by the People's Bank of China in September 2023, the People's Bank of China and the National Administration of Financial Regulation designated 20 banks as China's domestic systematically important banks (D-SIBs), including China Everbright Bank, China Minsheng Bank, Ping An Bank, Huaxia Bank, Bank of Ningbo, Bank of Jiangsu, China Guangfa Bank, Bank of Shanghai, Bank of Nanjing, Bank of Beijing, China CITIC Bank, Shanghai Pudong Development Bank, Postal Savings Bank of China, Bank of Communications, China Merchants Bank, Industrial Bank, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Agricultural Bank of China, pursuant to the Assessment Methodology for Systemically Important Banks.

NET PROCEEDS FROM THE GLOBAL OFFERING AND USE OF PROCEEDS

The net proceeds from the Global Offering (after deducting the underwriting fees and related cost and expenses) amounted to approximately HK$116.3 million (the "**GO Net Proceeds**"). As at December 31, 2023, the Group has not utilized the GO Net Proceeds. As at the date of this announcement, the unutilized net proceeds has been deposited in short-term demand with licensed banks or authorized financial institutions. The table below sets forth a breakdown of the utilization and proposed utilization of the GO Net Proceeds as at December 31, 2023 (any discrepancies between totals and sums of amounts listed in the table below are due to rounding):

	Percentage of total	**Actual GO Net Proceeds received**		**Amount utilized as at December 31, 2023**	**Balance**	**Expected timetable for the unutilized GO Net Proceeds**
	Approximate %	*HKD/million*	*RMB/million*	*RMB/million*	*RMB/million*	
Enhance our service capabilities, improve customer coverage, and expand categories of intralogistics equipment	45.0	52.3	48.1	–	48.1	By the end of 2025
Expand and upgrade our supply chain infrastructure	20.0	23.3	21.4	–	21.4	By the end of 2025
Strengthen our technology capabilities and infrastructure	15.0	17.4	16.0	–	16.0	By the end of 2025
Conduct strategic mergers and acquisitions that align with our regional coverage, industry focus, and business priorities	10.0	11.6	10.7	–	10.7	By the end of 2025
General working capital and general corporate purposes	10.0	11.6	10.7	–	10.7	By the end of 2025
Total	**100.0**	**116.3**	**106.9**	–	**106.9**	

In consideration of the reasons as set out below, we intend to accelerate the implementation of certain portions of the GO Net Proceeds:

(A) To enhance our service capabilities, improve customer coverage, and expand categories of intralogistics equipment: As disclosed in the Prospectus and the Allotment Results Announcement, we intend to utilize approximately HK$52.3 million (representing 45% of the GO Net Proceeds) to expand our sales team and improve sales and marketing methods, to expand our service outlets, enhancing our service efficiency and customer outreach, and to expand the scale and categories of our intralogistics equipment fleet from 2024 to 2026. In view of our latest business needs, we will accelerate the expansion of our sales team, service outlets and scale of our intralogistics equipment fleet to improve customer service coverage and response time, and further improve the customer experience. In this regard, the Board has resolved to change the Group's expected implementation schedule and utilize all the GO Net Proceeds above by the end of 2025.

(B) To expand and upgrade our supply chain infrastructure: As disclosed in the Prospectus and the Allotment Results Announcement, we intend to utilize approximately HK$23.3 million (representing 20% of the GO Net Proceeds) to expand and upgrade our supply chain infrastructure, including among others, building new supply chain bases in Kunshan, Jiangsu, Wuhan, Hubei, Shenyang, Liaoning and Chengdu, Sichuan from 2024 to 2026. In view of our latest business needs, we will accelerate the construction of the above supply chain bases to quickly upgrade our supply infrastructure and improve supply efficiency. In this regard, the Board has resolved to change the Group's expected implementation schedule and utilize all the GO Net Proceeds above by the end of 2025.

(C) To strengthen our technology capabilities and infrastructure: As disclosed in the Prospectus and the Allotment Results Announcement, we intend to utilize approximately HK$17.4 million (representing 15% of the GO Net Proceeds) to strengthen our technology capabilities and infrastructure from 2024 to 2026. In view of our latest business needs, we will accelerate the improvement of our technology capabilities and infrastructure to increase the operation and management efficiency and establish competitive barriers. In this regard, the Board has resolved to change the Group's expected implementation schedule and utilize all the GO Net Proceeds above by the end of 2025.

The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the above proposed acceleration in implementing the GO Net Proceeds as set out above is in the best interests of the Company and its Shareholders as a whole.

The Board will continuously assess the proposed utilization of the GO Net Proceeds and may revise or amend such proposed utilization when necessary to cope with the changing market conditions, and strive for better business performance of the Group.

See the section headed "Future Plans and Use of Proceeds" in the Prospectus for further details.

EMPLOYEES AND REMUNERATION POLICIES

We recognize the importance of talent for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As at December 31, 2023, we had 1,733 (December 31, 2022: 1,622) full-time employees, all of whom were based in China. Our total employee benefit expense (excluding directors' and supervisors' remunerations) were RMB222.6 million (2022: RMB215.1 million) for the year ended December 31, 2023. The remuneration is determined based on the terms of reference, the prevailing industry practice and the educational background, experience and performance of the staff, the importance of the post, the amount of time he/she devotes to the post, etc.. These policies are reviewed regularly. Besides salaries, the Group also provides other fringe benefits to its employees, including year-end bonuses, allowances and benefits in kind.

We are committed to equal employment opportunity and employee diversity. Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Under our internal policies, the employees shall not be discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, age, marital status, family status, disability, pregnancy or any other discrimination prohibited by applicable laws and regulations.

We believe we have maintained good relationships with our employees and the employees are not represented by a labor union. During the Reporting Period and up to the date of this announcement, we had not experienced any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

The Group provides training sessions tailored to the needs of our employees in different functions. Topics covered by such training sessions include our corporate culture, internal rules and policies and professional knowledge, know-hows and skills. We also provide training to management and administrative personnel at all levels, in order to enhance their leadership capabilities. Such training sessions are conducted in both online and offline forms. We also offer external training opportunities to our management team and technicians.

SIGNIFICANT INVESTMENT AND MATERIAL EVENTS DURING THE REPORTING PERIOD

The Board is not aware of any significant investment and events which could have a material impact on our operating and financial performance for the year ended December 31, 2023.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Group is not aware of any significant events which could have a material impact on our operating and financial performance after the Reporting Period.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000*
REVENUE	*4*	**1,371,805**	1,194,209
Cost of sales		**(954,406)**	(832,545)
Gross profit		**417,399**	361,664
Other income and gains	*4*	**6,322**	6,276
Selling and distribution expenses		**(91,099)**	(86,072)
Administrative expenses		**(169,492)**	(156,858)
Impairment losses on financial assets		**(2,442)**	(4,178)
Other expenses		**(45,194)**	(2,750)
Finance costs		**(85,102)**	(83,609)
Share of profits of associates		**241**	948
PROFIT BEFORE TAX	*5*	**30,633**	35,421
Income tax credit/(expense)	*6*	**587**	(20)
PROFIT FOR THE YEAR		**31,220**	35,401
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,220**	35,401
Profit and total comprehensive income attributable to:			
Owners of the Company		**31,220**	35,401
EARNINGS PER SHARE ATTRIBUTABLE TO THE COMPANY			
			(Restated)
Basic and diluted	*8*	**RMB0.09**	RMB0.11

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,092,855**	856,533
Right-of-use assets		**1,079,423**	1,049,320
Intangible assets		**7,882**	8,684
Investments in associates		**10,802**	10,561
Deposits		**104,551**	96,507
Deferred tax assets		**5,756**	4,831
Total non-current assets		**2,301,269**	2,026,436
CURRENT ASSETS			
Inventories		**91,010**	84,502
Trade and bills receivables	*9*	**373,964**	294,037
Prepayments, deposits and other receivables		**107,640**	106,027
Restricted deposits	*10*	**73,128**	30,850
Cash and cash equivalents	*10*	**200,760**	120,638
Total current assets		**846,502**	636,054
CURRENT LIABILITIES			
Trade and bills payables	*11*	**306,670**	262,560
Other payables and accruals		**161,834**	112,853
Interest-bearing bank loans and other borrowings	*12*	**648,005**	528,022
Tax payable		**781**	–
Total current liabilities		**1,117,290**	903,435
NET CURRENT LIABILITIES		**(270,788)**	(267,381)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,030,481**	1,759,055
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	*12*	**934,853**	839,165
Other payables and accruals		**18,257**	19,777
Deferred tax liabilities		**582**	652
Total non-current liabilities		**953,692**	859,594
NET ASSETS		**1,076,789**	899,461
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**87,006**	83,972
Reserves		**989,783**	815,489
Total equity		**1,076,789**	899,461

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1 CORPORATE AND GROUP INFORMATION

FOLANGSI CO., LTD (the "Company") is a company established in the People's Republic of China ("PRC") with limited liability. The registered office of the Company is located at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the provision of intralogistics equipment subscription services (including leases of equipment), provision of maintenance and repair services and sales of intralogistics equipment and parts.

2. ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 31 December 2023, the Group had net current liabilities of approximately RMB270.8 million. The Directors consider that the Group will have sufficient working capital to finance its operation and meets its financial obligation as and when they all due in the foreseeable future after taking into account, inter alia, the historical operating performance and the unutilised borrowing facilities of the Group for the next twelve months from the date of this announcement amounting to RMB1,449.3 million.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their service and products and only has one reportable operating segment.

The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	2023 *RMB'000*	2022 *RMB'000*
PRC	**1,184,278**	1,061,721
Overseas*	**187,527**	132,488
Total revenue	**1,371,805**	1,194,209

The revenue information above is based on the locations of the customers.

* The Group exported its products to customers located in overseas countries, mainly in Asia, Europe, North and South America and Australia.

(b) Non-current assets

All non-current assets of the Group are located in PRC (other than Hong Kong) as at the end of 2023 and 2022, respectively.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022, respectively.

4 REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Intralogistics equipment subscription services	**766,811**	738,001
Maintenance and repair services	**185,818**	140,987
Sales of intralogistics equipment and parts	**419,176**	315,221
Total revenue	**1,371,805**	1,194,209
Analysis into:		
Revenue from contracts with customers	**778,651**	619,482
Revenue from operating leases (included in intralogistics equipment subscription services)	**593,154**	574,727
Total revenue	**1,371,805**	1,194,209

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Intralogistics equipment subscription services (excluding operating lease)	**173,657**	163,274
Maintenance and repair services	**185,818**	140,987
Sales of intralogistics equipment and parts	**419,176**	315,221
Total revenue from contracts with customers	**778,651**	619,482
Geographical markets		
China	**591,124**	486,994
Overseas*	**187,527**	132,488
Total revenue from contracts with customers	**778,651**	619,482
Timing of revenue recognition		
Goods transferred at a point in time	**419,176**	315,221
Services transferred over time	**359,475**	304,261
Total revenue from contracts with customers	**778,651**	619,482

* The Group exported its products to customers located in overseas countries, mainly in Asia, Europe, North and South America and Australia.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of intralogistics equipment and parts	**14,559**	8,972

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Intralogistics equipment subscription services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The services under intralogistics equipment subscription services are mainly for periods of one to four years, and were billed periodically. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months.

The amounts of the transaction prices allocated to remaining obligations (unsatisfied or partially satisfied) as at 31 December are as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**108,837**	97,698
One to two years	**43,778**	35,982
Two to three years	**17,345**	13,497
Three to four years	**4,200**	4,859
Total	**174,160**	152,036

Maintenance and repair services

The performance obligation is satisfied over time as services are rendered and payment is generally due within one to three months upon the completion of services.

Sales of intralogistics equipment and parts

The performance obligation is satisfied upon the receipts of the intralogistics equipment and parts and payment is generally due with one months, extending up to three months for key customers, after the receipts of the intralogistics equipment and parts.

Other income and gains

	2023	2022
	RMB'000	*RMB'000*
Interest income	**2,002**	1,945
Government grants*	**1,821**	1,547
Foreign exchange differences, net	**1,177**	–
Gain on remeasurement of an associate to acquisition-date fair value	**–**	1,435
Fair value gain of financial assets at fair value through profit or loss	**93**	892
Rental income	**659**	–
Others	**570**	457
Total	**6,322**	6,276

* There are no unfulfilled conditions or contingencies related to these government grants.

5 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**449,175**	348,919
Depreciation of property, plant and equipment*	**209,164**	211,155
Depreciation of right-of-use assets*	**228,671**	209,516
Lease payments not included in the measurement of lease liabilities	**1,007**	7,707
Amortisation of intangible assets	**1,596**	1,888
Research and development costs**	**42,175**	39,652
Auditors' remuneration	**3,000**	–
Listing expenses*****	**39,189**	–
Employee benefit expenses (excluding directors' and supervisors' remunerations)		
Wages and salaries	**193,087**	193,156
Pension scheme contributions (defined contribution schemes)	**29,545**	21,990
Total	**222,632**	215,146
Foreign exchange differences, net***	**(1,177)**	2,377
Impairment of trade receivables	**2,442**	4,178
Loss on disposal of a subsidiary*****	**41**	
Gains on disposals of property, plant and equipment****	**(288)**	(118)
Gain on remeasurement of an associate to acquisition-date fair value****	**–**	(1,435)

* The depreciation of property, plant and equipment and right-of-use assets is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in profit or loss, respectively.

** The amounts are included in "Administrative expenses" in profit or loss.

*** The net foreign exchange gain and foreign exchange loss are included in "other income" and "other expense" in profit or loss, respectively.

**** The amounts are included in "Other income" in profit or loss.

***** The amounts are included in "Other expenses" in profit or loss.

6 INCOME TAX

	2023	2022
	RMB'000	*RMB'000*
Current	**408**	598
Deferred	**(995)**	(578)
Total	**(587)**	20

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the Company and the subsidiaries which operates in Chinese Mainland is subject to corporate income tax at a rate of 25% on the taxable income unless those are subject to tax exemption set out below.

The Company is qualified as an "High and New Technology Enterprise" and therefore was entitled to a preferential income tax rate of 15% for the years from 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Except for Anhui Folangsi, other subsidiaries of the Group in the PRC are qualified as "Small and Micro Enterprises" and therefore was entitled to a preferential income tax rate of 5% to 10% during the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the PRC where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**30,633**	35,421
Tax at the statutory tax rate of 25% (2022: 25%)	**7,658**	8,855
Lower tax rate for specific provinces or enacted by local authority	**(2,718)**	(3,846)
Additional tax deduction for qualified research and development expenses	**(6,347)**	(4,833)
Income not subject to tax	**–**	(357)
Expenses not deductible for tax	**820**	367
Tax losses utilised from previous periods	**–**	(166)
Tax (credit)/charge at the Group's effective rate	**(587)**	20

7 DIVIDENDS

No dividends have been paid or declared by the Company during the year.

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 337,911,483 (2022: 335,888,816 (restated)) in issue during the year after adjusting for the Subdivision defined as below, as of 10 November 2023 (the " Listing Date").

On the Listing date, the Company subdivided each authorized issued and unissued ordinary share of a par value of RMB1.00 each in the Company into four ordinary shares of a par value of RMB0.25 each pursuant to the resolutions passed by the shareholders of the Company on 21 April 2023 (the "Subdivision"). The weighted average number of ordinary shares has been adjusted for the effect of the Subdivision for the year ended 31 December 2022.

No adjustment has been made to the basic earnings per share amounts presented for the year for a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

The calculation of basic and diluted earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the company:	**31,220**	35,401

	Number of shares	
	2023	2022
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year	**337,911,483**	335,888,816

9 TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
One to three months	**276,177**	242,481
Four to six months	**64,856**	36,987
Six to twelve months	**16,643**	10,788
Over one year	**16,288**	3,781
Total	**373,964**	294,037

10 CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**273,888**	151,488
Less: Restricted bank deposits	**(73,128)**	(30,850)
Cash and cash equivalents	**200,760**	120,638
Denominated into:		
RMB (note)	**143,478**	151,488
Hong Kong dollars ("HK$")	**130,410**	–
	273,888	151,488

Note:

At the end of the reporting period, the RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default.

11 TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within three months	**267,305**	212,550
Three months to one year	**33,839**	42,644
Over one year	**5,526**	7,366
Total	**306,670**	262,560

12 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current						
Current portion of long-term bank loans – secured	**LPR*+Margin**	**2024**	**79,787**	LPR+Margin	2023	60,003
Other borrowings – secured	**LPR+Margin**	**2024**	**165,639**	LPR+Margin	2023	114,111
Lease liabilities	**LPR+Margin**	**2024**	**402,579**	LPR+Margin	2023	353,908
Total – current			**648,005**			528,022
Non-current						
Bank loans – secured	**LPR+Margin**	**2025-2029**	**263,719**	LPR+Margin	2024-2029	278,054
Other borrowings – secured	**LPR+Margin**	**2025-2029**	**189,903**	LPR+Margin	2024-2025	128,917
Lease liabilities	**LPR+Margin**	**2025-2029**	**481,231**	LPR+Margin	2024-2029	432,194
Total – non-current			**934,853**			839,165
Total			**1,582,858**			1,367,187

* LPR stands for loan prime rate.

	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**79,787**	60,003
In the second year	**86,119**	60,387
In the third year to fifth years, inclusive	**166,600**	165,667
Beyond five years	**11,000**	52,000
Subtotal	**343,506**	338,057
Other borrowings repayable:		
Within one year or on demand	**165,639**	114,111
In the second year	**126,099**	86,022
In the third year to fifth years, inclusive	**63,804**	42,895
Subtotal	**355,542**	243,028
Lease liabilities repayable:		
Within one year or on demand	**402,579**	353,908
In the second year	**252,369**	241,657
In the third year to fifth years, inclusive	**228,172**	190,121
Beyond five years	**690**	416
Subtotal	**883,810**	786,102
Total	**1,582,858**	1,367,187

Notes:

(i) All interest-bearing bank loans and other borrowings are denominated in RMB.

(ii) As at 31 December 2023, the leasehold land of RMB34,221,000 and property, plant and equipment of RMB384,578,000 were pledged as securities for interest-bearing bank loans and other borrowings (2022: the leasehold land of RMB34,972,000 and property, plant and equipment of RMB281,782,000).

(iii) The Group's total facilities for bank and other borrowings amounted to RMB3,032,161,000 and RMB2,235,911,000 of which RMB1,582,858,000 and RMB1,367,787,000 had been utilised as at 31 December 2023 and 2022, respectively.

(iv) All interest-bearing bank loans and other borrowings bear interest at the floating interest rate of LPR plus margin.

13 SHARE CAPITAL

Shares

	2023 ***RMB'000***	2022 *RMB'000*
Issued and fully paid:		
348,022,816 (2022: 83,971,704) ordinary shares with par value of RMB0.25 each (2022: RMB1.00 each)	**87,006**	83,972

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2022, 31 December 2022 and 1 January 2023	83,971,704	83,972	545,274	629,246
Share split (note (a))	251,915,112	–	–	–
Issuance of ordinary shares relating to IPO (note (b))	12,136,000	3,034	156,279	159,313
Share issue expenses (note (b))	–	–	(13,205)	(13,205)
At 31 December 2023	348,022,816	87,006	688,348	775,354

Notes:

(a) On the Listing date, the Company subdivided each authorized issued and unissued ordinary share of a par value of RMB1.00 each in the Company into four ordinary shares of a par value of RMB0.25 each, resulting in the increase of the number in shares in issue of 251,915,112.

(b) In connection with the IPO, 12,136,000 ordinary shares of a par value of RMB0.25 each were issued at a price of HK$14.28 per share at a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HK$173,302,000 (approximately RMB159,313,000).

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Company has adopted the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. As the H Shares had not yet been listed on the Stock Exchange during the period from January 1, 2023 (i.e. commencement date of the Reporting Period) up to the Listing Date, the CG Code was not applicable to the Company during such period. During the period from the Listing Date to the date of this announcement, the Company has complied with all the principles and applicable code provisions under the CG Code. The Directors will review the corporate governance policies and compliance with the CG Code each financial year and apply the "comply or explain" principle in the corporate governance reports included in the annual reports.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and Supervisors since the Listing Date. As the H Shares had not yet been listed on the Stock Exchange during the period from January 1, 2023 (i.e. commencement date of the Reporting Period) up to the Listing Date, the Model Code was not applicable to the Company during such period. Having made specific enquiry with the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the date of this announcement.

THE BOARD

The Company is led by an effective Board, which assumes responsibility for leadership and control and is collectively responsible for pursuing the success of the Company through the direction and oversight of its affairs. Directors objectively make decisions that are in the best interests of the Company.

The Board achieves a balance of skills, experience, offers views consistent with the requirements of the Company's business, and regularly reviews (i) the contribution Directors need to make to perform their responsibilities to the Company and (ii) whether Directors have spent sufficient time performing duties commensurate with their roles and Board responsibilities. The Board comprises a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) which maintains strong independence of the Board for the effective exercise of independent judgement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The H Shares had not yet been listed on the Stock Exchange during the period from January 1, 2023 (i.e. commencement date of the Reporting Period) up to the Listing Date. During the period from the Listing Date to December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION

The Directors are not aware of any material litigation or claim pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public since the Listing Date and up to the date of this announcement.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and Supervisors of the Company and their associates had any interest in any business which competes or is likely to compete, directly or indirectly, with the Group's business, or any other conflict of interest with the Group during the Reporting Period.

AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three members, namely, Mr. Wang Chuanbang (chairman of the Audit Committee), Dr. Fan Xia and Mr. Zhu Yingchun.

The Audit Committee has, together with the management of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2023 and the disclosure in this announcement.

The Audit Committee is of the opinion that the preparation of the financial information complies with the applicable accounting practices and policies, the requirements of the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at December 31, 2023, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been agreed by the Group's independent auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's independent auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's independent auditors on the preliminary announcement.

PUBLICATION OF 2023 ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fls123.com. The annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders upon request of the Shareholders and published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

DIVIDEND

The Board did not recommend any payment of dividends for the year ended December 31, 2023.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, June 14, 2024. A notice convening the AGM will be published as soon as practicable according to the articles of association of the Company and the Listing Rules of the Stock Exchange and despatched to the Shareholders of the Company in due course upon request of the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 11, 2024 to Friday, June 14, 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to attend the AGM and to vote at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. Friday, June 7, 2024.

DEFINITIONS

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

"AGM"	the forthcoming annual general meeting of the Company to be held on Friday, June 14, 2024
"Allotment Results Announcement"	the announcement of offer price and allotment results of the Company dated November 9, 2023
"Audit Committee"	the audit committee of the Board
"Auditors"	Ernst & Young
"B2B"	business-to-business
"Board" or "Board of Directors"	board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company, which is an independent third party
"the Company" or "our Company" or "Company"	FOLANGSI CO., LTD (廣州佛朗斯股份有限公司) (formerly known as Guangzhou Folangsi Machinery Co., Ltd. (廣州佛朗斯機械有限公司)), a limited liability company incorporated in the PRC on December 5, 2007 which was converted into a joint stock company with limited liability on November 25, 2016 and listed on the Stock Exchange on November 10, 2023 (Stock code: 2499)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of this announcement, refers to the controlling shareholders of our Company, namely Mr. Hou Zekuan, Mr. Hou Zebing and Guangzhou Daze
"Director(s)"	director(s) of the Company
"Forklift"	an industrial equipment with a metal fork platform attached to its front that can be used to lift heavy loads by inserting the fork platform under cargo, pallets, or machines for moving them or placing them in warehouses, production sites, distribution centers and other scenarios

"Global Offering"	an offering of 12,136,000 H Shares, comprising a final Hong Kong public offering of 1,213,600 H Shares and a final international public offering of 10,922,400 H Shares
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and all of its subsidiaries, or any one of them as the context may require
"Guangzhou Daze"	Guangzhou Daze Investment Partnership (Limited Partnership) (廣州達澤投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 16, 2011 and one of the Controlling Shareholders
"H Share(s)"	overseas listed foreign ordinary share(s) in the share capital of our Company with a nominal value of RMB0.25 each, subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$" or "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Intralogistics equipment"	intralogistics equipment is an industrial machinery used to replace intensive labor in mechanical work, such as carrying, moving, sorting, and stacking of cargo and heavy loads, in manufacturing plants, logistics parks, warehouses, airports, ports, and other similar worksites
"IoT"	internet of things, the network of physical objects that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet
"Listing Date"	November 10, 2023, the date on which the H Shares of the Company were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operate in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

"Prospectus"	the prospectus of the Company dated October 31, 2023
"Reporting Period"	for the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB0.25 each, including both Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the supervisory committee of the Company
"Unlisted Shares"	ordinary shares in the share capital of the Company, with a nominal value of RMB0.25 each, which are not listed on any stock exchange
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

By order of the Board
FOLANGSI CO., LTD
Hou Zekuan
Chairman of the Board and Executive Director

Guangzhou City, the People's Republic of China
March 20, 2024

As at the date of this announcement, the Board of Directors comprises Mr. Hou Zekuan as the chairman of the Board and an executive Director, Mr. Hou Zebing, Mr. Qian Xiaoxuan and Ms. Ma Li as executive Directors, Mr. Zhu Yingchun and Mr. Shu Xiaowu as non-executive Directors, and Mr. Chiang Edward, Dr. Fan Xia and Mr. Wang Chuanbang as independent non-executive Directors.