
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in FOLANGSI CO., LTD, you should at once hand this circular, together with the enclosed 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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Folangsi

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)

- (1) ANNUAL FINANCIAL REPORT FOR 2023;**
- (2) REPORT OF THE BOARD OF DIRECTORS FOR 2023;**
- (3) REPORT OF THE SUPERVISORY COMMITTEE FOR 2023;**
- (4) ANNUAL REPORT FOR 2023;**
- (5) PROFIT DISTRIBUTION PLAN FOR 2023;**
- (6) PROPOSED CHANGE OF DIRECTORS;**
- (7) PROPOSED CHANGE OF SUPERVISOR;**
- (8) REMUNERATION PLAN FOR DIRECTORS AND SUPERVISORS;**
- (9) PROPOSED RE-APPOINTMENT OF AUDITORS FOR 2024;**
- (10) COMPOSITE CREDIT FACILITIES, LOANS AND
FINANCE LEASING ARRANGEMENTS IN 2024;**
- (11) PROPOSED GRANT OF ISSUE GENERAL MANDATE;**
- (12) PROPOSED GRANT OF REPURCHASE GENERAL MANDATE;**
- AND**
- (13) NOTICE OF ANNUAL GENERAL MEETING**

The Annual General Meeting of FOLANGSI CO., LTD will be held at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC on Friday, June 14, 2024 at 10:00 a.m.. A notice convening the Annual General Meeting is set out on pages 24 to 30 of this circular.

The relevant form of proxy for use at the Annual General Meeting, is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fls123.com). Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for the holding of the Annual General Meeting (i.e. not later than 10:00 a.m. on Thursday, June 13, 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person if you so wish.

April 18, 2024

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD OF DIRECTORS	4
I. Introduction	4
II. Annual Financial Report for 2023	5
III. Report of the Board of Directors for 2023	5
IV. Report of the Supervisory Committee for 2023	5
V. Annual Report for 2023	5
VI. Profit Distribution Plan for 2023	5
VII. Proposed Change of Directors	6
VIII. Proposed Change of Supervisor	9
IX. Remuneration Plan for Directors and Supervisors	10
X. Proposed Re-appointment of Auditors for 2024	10
XI. Composite Credit Facilities, Loans and Finance Leasing Arrangements in 2024	11
XII. Proposed Grant of Issue General Mandate	12
XIII. Proposed Grant of Repurchase General Mandate	13
XIV. Annual General Meeting	14
XV. Closures of Register of Members	15
XVI. Voting by Poll	15
XVII. Recommendation	15
APPENDIX I – EXPLANATORY STATEMENT	16
NOTICE OF ANNUAL GENERAL MEETING	24

DEFINITIONS

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

“2023 Annual Report”	the annual report of the Company for the year ended December 31, 2023, which was published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fls123.com) on April 18, 2024
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC on Friday, June 14, 2024 at 10:00 a.m. or any adjournment thereof (as the case may be), to consider and, if thought fit, to approve the resolutions contained in the notice of the Annual General Meeting which is set out on pages 24 to 30 of this circular
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of directors of the Company
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “our Company” or “the 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)
“Company Law”	the Company Law of the PRC
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB0.25 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“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
“Issue General Mandate”	a general mandate proposed to be granted to the Directors to allot, issue or deal with additional Shares not exceeding 20% of the total number of issued Shares of the Company as at the date on which the Issue General Mandate is approved by the Shareholders
“Latest Practicable Date”	April 12, 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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)
“Remuneration Committee”	the remuneration committee of the Board
“Repurchase General Mandate”	a general mandate proposed to be granted to the Directors to repurchase issued Shares not exceeding 10% of the total number of issued Shares of the Company as at the date on which the Repurchase General Mandate is approved by the Shareholders
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB0.25 each, including both Unlisted Shares and H Shares
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Board
“Supervisor(s)”	member(s) of the supervisory committee of the Company
“Supervisory Committee”	the Supervisory Committee of the Company
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs approved by the Securities and Futures Commission as amended from time to time
“Unlisted Shares”	the 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

LETTER FROM THE BOARD OF DIRECTORS



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)

Executive Directors:

Mr. HOU Zekuan
Mr. HOU Zebing
Mr. QIAN Xiaoxuan
Ms. MA Li

Registered Office:

No. 999, Yayun Avenue
Shiqi Town, Panyu District
Guangzhou City, Guangdong Province
PRC

Non-executive Directors:

Mr. ZHU Yingchun
Mr. SHU Xiaowu

*Headquarters and Principal Place of Business
in China:*

No. 999, Yayun Avenue
Shiqi Town, Panyu District
Guangzhou City, Guangdong Province
PRC

Independent non-executive Directors:

Mr. CHIANG Edward
Dr. FAN Xia
Mr. WANG Chuanbang

Principal Place of Business in Hong Kong:

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

April 18, 2024

To the Shareholders

Dear Sir/Madam,

- (1) ANNUAL FINANCIAL REPORT FOR 2023;**
- (2) REPORT OF THE BOARD OF DIRECTORS FOR 2023;**
- (3) REPORT OF THE SUPERVISORY COMMITTEE FOR 2023;**
- (4) ANNUAL REPORT FOR 2023;**
- (5) PROFIT DISTRIBUTION PLAN FOR 2023;**
- (6) PROPOSED CHANGE OF DIRECTORS;**
- (7) PROPOSED CHANGE OF SUPERVISOR;**
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FINANCE LEASING ARRANGEMENTS IN 2024;**
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- (12) PROPOSED GRANT OF REPURCHASE GENERAL MANDATE;
AND**
- (13) NOTICE OF ANNUAL GENERAL MEETING**

I. INTRODUCTION

The Annual General Meeting of the Company will be held at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC on Friday, June 14, 2024 at 10:00 a.m.. A notice convening the Annual General Meeting is set out on pages 24 to 30 of this circular.

LETTER FROM THE BOARD OF DIRECTORS

The purpose of this circular is to give you notice of the Annual General Meeting and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the Annual General Meeting as described below.

II. ANNUAL FINANCIAL REPORT FOR 2023

The Company has prepared the audited consolidated financial statements of itself and its subsidiaries for the year ended December 31, 2023 in accordance with the Hong Kong Financial Reporting Standards, and Ernst & Young has prepared the report of the auditor of the Company for the year ended December 31, 2023. Please refer to the 2023 Annual Report for further details.

The above audited consolidated financial statements and report of the auditor were considered and approved by the Board of Directors on March 20, 2024, and are hereby proposed at the Annual General Meeting as an ordinary resolution for receipt, consideration and approval.

III. REPORT OF THE BOARD OF DIRECTORS FOR 2023

The report of the Board of Directors of the Company for 2023 was considered and approved by the Board on March 20, 2024, and is hereby proposed at the Annual General Meeting as an ordinary resolution for receipt, consideration and approval. Please refer to the 2023 Annual Report for the full text of the report of the Board of Directors.

IV. REPORT OF THE SUPERVISORY COMMITTEE FOR 2023

The report of the Supervisory Committee of the Company for 2023 was considered and approved by the Supervisory Committee on March 20, 2024, and is hereby proposed at the Annual General Meeting as an ordinary resolution for receipt, consideration and approval. Please refer to the 2023 Annual Report for the full text of the report of the Supervisory Committee.

V. ANNUAL REPORT FOR 2023

The annual report of the Company for 2023 was considered and approved by the Board of Directors on March 20, 2024, and is hereby proposed at the Annual General Meeting as an ordinary resolution for receipt, consideration and approval. Please refer to the 2023 Annual Report for the full text.

VI. PROFIT DISTRIBUTION PLAN FOR 2023

Based on the operating results and financial position of the Company, the Board of Directors proposes not to distribute the final dividend for 2023.

LETTER FROM THE BOARD OF DIRECTORS

The profit distribution plan for 2023 has been considered and approved by the Board of Directors on March 20, 2024, and is hereby proposed at the Annual General Meeting for consideration.

VII. PROPOSED CHANGE OF DIRECTORS

Reference is made to the announcement of the Company dated March 20, 2024 in relation to, among other things, the resignations and proposed appointments of Directors.

Resignations

Mr. Zhu Yingchun (“**Mr. Zhu**”) has resigned as non-executive Director; Mr. Shu Xiaowu (“**Mr. Shu**”) has resigned as non-executive Director; and Mr. Wang Chuanbang (“**Mr. Wang**”) has resigned as independent non-executive Director, each with effect from the date of the Annual General Meeting, being June 14, 2024, due to their personal career plans. Following the aforesaid resignations, Mr. Zhu has resigned as a member of the Audit Committee and a member of the Strategy Committee; Mr. Shu has resigned as a member of the Strategy Committee; and Mr. Wang has resigned as the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Zhu, Mr. Shu and Mr. Wang have confirmed that they have no disagreement with the Board of Directors and the Company, and there is no matter regarding their resignations that needs to be brought to the attention of the Shareholders and/or the Stock Exchange.

Proposed Appointments

In consideration of the recommendation of the nomination committee of the Company, Mr. Zhou Limin (“**Mr. Zhou**”) was proposed as a candidate for executive Director; Mr. Yu Chuanfen (“**Mr. Yu**”) was proposed as a candidate for non-executive Director; and Mr. Du Lizhu (“**Mr. Du**”) was proposed as a candidate for independent non-executive Director. The nomination of each of Mr. Zhou, Mr. Yu, and Mr. Du was made in accordance with the nomination policy of the Company and the diversity policy of the Company has been taken into account.

Upon the approval of the respective appointments of Mr. Zhou as executive Director, Mr. Yu as non-executive Director and Mr. Du as independent non-executive Director at the Annual General Meeting, the Company will (i) enter into service contracts and/or appointment letters (as appropriate) with each of Mr. Zhou, Mr. Yu and Mr. Du with a term commencing from the date of approval at the Annual General Meeting and ending on the expiration of the term of the current session of the Board of Directors; (ii) appoint Mr. Yu as a member of the Strategy Committee; and (iii) appoint Mr. Du as the chairman of the Audit Committee and a member of the Remuneration Committee. Each of Mr. Zhou, Mr. Yu and Mr. Du are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Company’s Articles of Association and the applicable Listing Rules. Mr. Zhou will not receive any director’s fee, and the annual remuneration of Mr. Zhou as deputy general manager will be approximately RMB400,000 (tax inclusive), which is subject to the business performance of

LETTER FROM THE BOARD OF DIRECTORS

the Company; Mr. Yu will not receive any director's fee; and Mr. Du will receive RMB84,000 per year (tax inclusive) as director's fee. The proposed remuneration of Mr. Zhou, Mr. Yu and Mr. Du has been determined by the Board based on the recommendations made by the Remuneration Committee taking into account of the main scope, responsibilities, importance and remuneration level of relevant positions in other similar enterprises.

Please refer to the biographical details of Mr. Zhou, Mr. Yu and Mr. Du as set out below:

Mr. Zhou Limin (周利民), aged 56, has been a deputy general manager of the Company since December 2007. He is primarily responsible for product technology research and development management.

He joined the Group on December 5, 2007 and served as a sales manager of Zhongshan TCM Forklift Sales Co., Ltd. (中山梯西埃姆叉車銷售有限公司), and he was responsible for sales management from March 2006 to December 2007. He also served as a director of the Company from October 2012 to November 2016, where he was responsible for product technology and research and development management.

He has extensive experience in the manufacturing industry. Prior to joining the Group, he served as a sales manager of Xi'an Tiexi Em Forklift Sales Co., Ltd. (西安梯西埃姆叉車銷售有限公司), a company engaged in forklift sales and service, and he was responsible for corporate service from February 2002 to March 2006. He also worked at Xi'an Aviation Engine (Group) Co., Ltd. (西安航空發動機(集團)有限公司), a company engaged in aircraft engine manufacturing, from December 1985 to December 2000.

He received his college's degree in mechanical design and manufacturing through online education from Wuhan University of Technology (武漢理工大學) in the PRC in July 2016.

Mr. Yu Chuanfen (俞傳芬), aged 51, has extensive experience in the construction machinery industry. From July 1994 to September 2002, he held various positions in Liuzhou Kangda Engineering Machinery Co., Ltd. (柳州康達工程機械有限公司), a subsidiary of Guangxi Liugong Group Co., Ltd. (廣西柳工集團有限公司) ("**LiuGong Group**"), and his last position was the vice general manager. Since September 2002, he worked in Guangxi LiuGong Machinery Co., Ltd. (廣西柳工機械股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000528.SZ) ("**Guangxi Liugong**"), a subsidiary of LiuGong Group, where he has since held various positions, including as the vice president, the president, the deputy secretary of the party committee, vice chairman, senior vice president, etc.. Specifically, he served as the vice chairman of the board of Guangxi Liugong from December 2013 to December 2021 and senior vice president of Guangxi Liugong since December 2021. From March 2015 to December 2020, he successively served as a member of the party committee and the vice president of LiuGong Group. From November 2019 to December 2021, he also successively served as the vice president and senior vice president of Guangxi Liugong Group Machinery Co., Ltd. (廣西柳工集團機械有限公司). He is also currently the chairman of the board of (i) Guangxi Zhongyuan Machinery Co. Ltd. (廣西中源機械有限公司) since

LETTER FROM THE BOARD OF DIRECTORS

February 2017; (ii) Sineng Petroleum Chemical Co., Ltd. (司能石油化工有限公司) since August 2017; (iii) Liuzhou Liugong Forklift Co., Ltd. (柳州柳工叉車有限公司) since February 2021; and (iv) Guangxi Weixiang Machinery Co., Ltd. (廣西威翔機械有限公司) since March 2022, respectively.

Mr. Yu obtained a bachelor's degree in welding processes and equipment from the department of Materials Science and Engineering of Huazhong University of Science and Technology (華中理工大學材料科學與工程系) in the PRC in July 1994. He also obtained the Qualification Certificate of Intermediate Level of Specialty and Technology (中級專業技術資格證書) for engineers issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in September 1999.

Mr. Du Lizhu (杜立柱), aged 48, has extensive experience in the accounting field. From February 1997 to October 1997, he was a statistician at Binzhou Head Crankshaft Co., Ltd. (濱州海得曲軸有限責任公司) (formerly known as Binzhou Crankshaft Factory (濱州曲軸廠)). From November 1997 to June 1998, he was an accountant at Zhaoqing Cailian Building (肇慶財聯大廈). He subsequently served as an assistant auditor at the Bureau of Foreign Trade of Guangzhou Dongshan District (Guangzhou Xinlian Accounting Firm) (廣州東山區外經貿局) (廣州信聯會計師事務所) from July 1998 to May 2002. He later served as an assistant auditor at Guangzhou Huihua Accounting Firm Co., Ltd. (廣州會華會計師事務所有限公司) (“**Guangzhou Huihua**”) from June 2002 to July 2003. From August 2003 to August 2005, he worked as an inspector at the Department of Finance of Guangdong Province. He was subsequently the vice president of Guangzhou Huihua and Guangzhou Mingxin Accounting Firm Co., Ltd. (廣州明信會計師事務所有限公司), from September 2005 to September 2008, and from October 2008 to May 2015, respectively. From June 2015 to June 2018, he served as the vice general manager of Jonten Certified Public Accountants (Limited Liability Partnership). Since July 2018, he has been the responsible person of the Guangzhou Branch of Guangdong Jingxin Real Estate & Land & Assets Appraisal Co., Ltd. (廣東京信房地產土地資產評估有限公司廣州分公司).

Mr. Du received a college degree in accounting from China Central Radio and TV University (中央廣播電視大學) in the PRC in January 2007 and later obtained a bachelor's degree in accounting from Hunan Institute of Science and Technology (湖南理工學院) in the PRC in June 2013. Mr. Du obtained the Qualification Certificate of Specialty and Technology for accountants (專業技術資格證書) issued by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in May 1999, and passed the Advanced Diploma in Accounting awarded by the International Association of Accounting Professionals (IAAP) and obtained the Certificate of International Certified Public Accountants awarded by the Enterprise Financial Management Association of China in May 2023.

Save as disclosed above, as at the Latest Practicable Date, Mr. Zhou, Mr. Yu and Mr. Du did not (i) have any relationship with any other Directors, Supervisors, senior management or substantial or controlling shareholders of the Company; (ii) hold any other position in the Company and other members of the Group; (iii) hold any directorships in other listed public companies in Hong Kong or overseas in the last three years; and (iv) hold any interest in the shares of the Company within the meaning of Part XV of the SFO.

LETTER FROM THE BOARD OF DIRECTORS

Further, Mr. Du has confirmed that (i) he meets the independence criteria set out in Rule 3.13 of the Listing Rules; (ii) he has no past or present financial or other interest in the business of the Group or any connection with any core connected persons (as defined under the Listing Rules) of the Company; and (iii) there are no other factors that may affect his independence at the time of appointment. After taking into account the confirmation of his independence to the Company under Rule 3.13 of the Listing Rules and his educational background, rich experiences in the past and professional knowledge, the Board proposed to appoint Mr. Du as the independent non-executive Director. Mr. Du has expertise in accounting and auditing and other work experience required to fulfil the role of independent non-executive Director. The appointment of Mr. Du will provide contributions to the Group and enhance the Board diversity.

Saved as disclosed above, there is no information in relation to Mr. Zhou, Mr. Yu and Mr. Du required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, nor are there other matters in relation to their appointments that need to be brought to the attention of the Shareholders.

The Company hereby proposes, as ordinary resolutions at the Annual General Meeting, the consideration and approval of the above proposed appointments by adopting a cumulative voting system.

VIII. PROPOSED CHANGE OF SUPERVISOR

Reference is made to the announcement of the Company dated March 20, 2024 in relation to, among other things, the resignation and proposed appointment of Supervisor.

Resignation

Mr. Zhang Xiaolong has resigned as Supervisor with effect from the date of the Annual General Meeting, being June 14, 2024, due to his personal career plan. Mr. Zhang Xiaolong has confirmed that he has no disagreement with the Board of Directors, the Supervisory Committee and the Company, and there is no matter regarding his resignation that needs to be brought to the attention of the Shareholders and/or the Stock Exchange.

Proposed Appointment

In consideration of the recommendation of the Supervisory Committee, Ms. Liu Xiaoli (“**Ms. Liu**”) was proposed as a candidate for Supervisor. Upon the approval of the appointment of Ms. Liu as Supervisor at the Annual General Meeting, the Company will enter into an engagement letter with Ms. Liu with a term commencing from the date of approval at the Annual General Meeting and ending on the expiration of the term of the current session of the Supervisory Committee. Ms. Liu receives remuneration according to her position at the Company and will not receive additional remuneration as Supervisor. Please refer to the biographical details of Ms. Liu as set out below:

Ms. Liu Xiaoli (劉小麗), aged 38, has extensive experience in the logistics equipment industry. Ms. Liu joined the Company in May 2008 and has served as the director of the logistics management centre since then.

LETTER FROM THE BOARD OF DIRECTORS

Ms. Liu received a college degree in logistics management from Sun Yat-sen University (中山大學) in the PRC in June 2017 and later obtained a bachelor's degree in international economics and trade from Jinan University (暨南大學) in the PRC in December 2020.

Save as disclosed above, as at the Latest Practicable Date, Ms. Liu did not (i) have any relationship with any other Directors, Supervisors, senior management or substantial or controlling shareholders of the Company; (ii) hold any other position in the Company and other members of the Group; (iii) hold any directorships in other listed public companies in Hong Kong or overseas in the last three years; and (iv) hold any interest in the shares of the Company within the meaning of Part XV of the SFO.

Saved as disclosed above, there is no information in relation to Ms. Liu required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, nor are there other matters in relation to her appointment that need to be brought to the attention of the Shareholders.

The Company hereby proposes, as an ordinary resolution at the Annual General Meeting, the consideration and approval of the above proposed appointment by adopting a cumulative voting system.

IX. REMUNERATION PLAN FOR DIRECTORS AND SUPERVISORS

The remuneration plan for the Directors and the Supervisors is as follows:

- (1) for the executive Directors, each of the executive Directors would not be entitled to receive any Director's remuneration;
- (2) for the non-executive Directors, each of the non-executive Directors would not be entitled to receive any Director's remuneration;
- (3) for the independent non-executive Directors, each of the independent non-executive Directors would be entitled to receive Director's remuneration of RMB84,000 per year (tax inclusive); and
- (4) for the Supervisors, each of the Supervisors would not be entitled to receive any Supervisor's remuneration.

The Company hereby proposes, as an ordinary resolution at the Annual General Meeting, the consideration and approval of such remuneration plan.

X. PROPOSED RE-APPOINTMENT OF AUDITORS FOR 2024

In accordance with the relevant provisions of the Articles of Association and the audit requirements of the Company, the Company intends to re-appoint Ernst & Young as the auditors of the Company for 2024, for a term from January 1, 2024 till the conclusion of the next annual general meeting of the Company.

LETTER FROM THE BOARD OF DIRECTORS

The Company hereby proposes, as an ordinary resolution at the Annual General Meeting, the consideration and approval of such re-appointment and the authorization to the Board of Directors to fix the remuneration of Ernst & Young for 2024.

XI. COMPOSITE CREDIT FACILITIES, LOANS AND FINANCE LEASING ARRANGEMENTS IN 2024

In order to meet the needs of the Company's business and operations, the Company intends to apply for composite credit facilities, loans and finance leasing arrangements (collectively, the "**Financing Arrangement(s)**") in 2024 from financing arrangement providers, including but not limited to, licensed banks, financial institutions and financial leasing companies, etc.. The Financing Arrangements may cover but are not limited to finance leases, working capital loans, non-current capital loans, acceptance bills, factoring, letters of guarantee, letters of credit, bill discounting and other credit services, etc..

Pursuant to article 117 (VI) of the Articles of Association, Shareholders' approval is required for debt financing (excluding the issuance of bonds) with a single amount of more than RMB300 million or if the Company's gearing ratio will be more than 75% after debt financing.

Taking account of the actual operational needs of the Company, it is proposed that, for Financing Arrangements meeting the following conditions, namely, (i) the amount available under each single Financing Arrangement shall not exceed RMB400 million, and (ii) the aggregate amounts of all Financing Arrangements drawn down or utilized by the Company within the Authorization Period shall not exceed 50% of the total assets of the Company as at December 31, 2023, the Board (including the management of the Company as designated by the Board) shall be authorized by the Annual General Meeting to have full authority to implement specific business procedures on behalf of the Company, including but not limited to signing various legal documents such as contracts and agreements relating to the entering into of the Financing Arrangements (including but not limited to credit, loans, financing and finance leases), and security documents, guarantees and agreements relating to the Financing Arrangements, with an authorization period starting from the date of the Annual General Meeting till the conclusion of the next annual general meeting of the Company (the "**Authorization Period**"). During the Authorization Period, no single Financing Arrangement will be further considered separately under a general meeting.

The Financing Arrangements shall include new Financing Arrangements and the extension of the Company's existing Financing Arrangements. Whilst the finance leasing arrangements are one-off, the composite credit facilities and loans can be used in a revolving manner during the Authorization Period. The amounts available under composite credit facilities and loans are lines of credit which do not represent the actual amounts to be drawn down or utilized by the Company. Such actual amounts shall be considered and determined by the Board of Directors according to the actual capital needs for the Company's business and operations, and separate agreements and/or utilization requests will be entered into and/or provided by the Company (as the case may be) with and/or to the relevant financing arrangement providers in relation to every actual drawdown.

LETTER FROM THE BOARD OF DIRECTORS

This resolution was considered and approved by the Board of Directors on March 20, 2024, and is hereby proposed for consideration at the Annual General Meeting. In the event any of the above Financing Arrangements as authorized by the Shareholders under this resolution is drawn down or utilized by the Company, and therefore subject to Chapter 14 of the Listing Rules or other applicable Listing Rules, or any security documents, guarantees, contracts and agreements relating to the Financing Arrangements is subject to Chapter 14 of the Listing Rules or other applicable Listing Rules, the Company will comply with all applicable requirements under the Listing Rules, including the announcement requirement, issuing a circular and seeking Shareholders' approval where necessary.

XII. PROPOSED GRANT OF ISSUE GENERAL MANDATE

In order to meet the capital requirements for the continuous development of the Company's business and to ensure and give the Board of Directors the flexibility to issue any new Shares if and when appropriate to the Company, and in accordance with the relevant laws and regulations such as the Listing Rules and capital market practice, the Company will put forward a special resolution at the Annual General Meeting to grant the Issue General Mandate to the Board of Directors to allot, issue and deal with additional Shares not exceeding 20% of the total issued Shares as at the date on which the Issue General Mandate is approved by the Shareholders, subject to the conditions as set out in the notice of Annual General Meeting.

As at the Latest Practicable Date, the registered capital of the Company comprised 348,022,816 Shares (including 141,428,080 Unlisted Shares and 206,594,736 H Shares) with a nominal value of RMB0.25 each. Therefore, subject to the passing of the resolution at the Annual General Meeting and on the basis that no new Shares will be issued prior to the Annual General Meeting, a maximum of 69,604,563 Shares (representing 20% of the number of the total issued Shares as at the Latest Practicable Date) can be separately or concurrently allotted, issued and/or dealt with by the Board of Directors pursuant to the Issue General Mandate.

Any exercise of the power by the Board of Directors under the Issue General Mandate will have to comply with the Articles of Association, the Company Law, the Listing Rules and all other applicable laws, rules, regulations and requirements of relevant governmental and/or regulatory authorities.

In order to ensure flexibility and discretion for the Board of Directors to issue new Shares, the Board of Director believes that it is in the best interests of the Company and the Shareholders as a whole for the Issue General Mandate to be granted.

The Issue General Mandate will end on the earliest of (i) the conclusion of the next annual general meeting following the passing of the relevant resolution; (ii) the expiration of a period of 12 months from the date of passing the relevant resolution at the Annual General Meeting; or (iii) the date upon which such authority is revoked or varied by a special resolution of the Shareholders of the Company at a general meeting.

LETTER FROM THE BOARD OF DIRECTORS

XIII. PROPOSED GRANT OF REPURCHASE GENERAL MANDATE

The Company Law and the Articles of Association provide for certain restrictions on share repurchase which are applicable to all classes of Shares of the Company.

The Company Law (to which the Company is subject to) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; (d) the repurchase is made at the request of its shareholders who disagree with shareholders' resolutions in connection with a merger or division; (e) utilizing the shares for conversion of corporate bonds which are convertible into shares; or (f) where it is necessary for the company to safeguard the value of the company and the interests of its shareholders.

Articles 25 and 26 of the Articles of Association provide that the Company may, subject to relevant laws, regulations, normative documents and the relevant provisions of the securities regulatory authority of the place where the Company's Shares are listed, repurchase its shares through public centralized trading or other methods recognized by laws, administrative regulations and the China Securities Regulatory Commission (中國證券監督管理委員會) under the following circumstances: (I) reducing the registered capital of the Company; (II) merging with another company that holds shares in the Company; (III) using shares for employee stock ownership plan or equity incentives; (IV) shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to buy back their shares; (V) to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares; and (VI) where it is necessary for the Company to preserve its value and shareholders' interest. Except for the aforesaid circumstances, the Company shall not buy back its own shares.

The Listing Rules permit the shareholders of a PRC joint stock limited company to grant a general mandate to its directors to repurchase shares of such company that are listed on the Stock Exchange. Such general mandate is required to be given by way of a special resolution passed by its shareholders in general meetings.

H Shares are traded on the Stock Exchange in Hong Kong dollars. Therefore, the repurchase of H Shares by the Company is subject to the approval of the SAFE (or its successor authority), and the price payable by the Company upon any repurchase of H Shares will be paid in Hong Kong dollars. The Company Law provides that the shares repurchased by a company will have to be cancelled and the registered capital of that company will therefore be reduced by an amount equivalent to the aggregate nominal value of the shares so cancelled.

LETTER FROM THE BOARD OF DIRECTORS

Conditions to Repurchase of Shares

In order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to repurchase any Shares (including where such repurchase may lead to an enhancement of the net asset value per Share and/or the earnings per Share), approval is proposed to be sought from the Shareholders for the grant of the Repurchase General Mandate to the Directors. In accordance with the legal and regulatory requirements described above, the Directors give notices to convene the Annual General Meeting. At the Annual General Meeting, a special resolution will be proposed to grant to the Directors the Repurchase General Mandate, i.e. a conditional general mandate to repurchase Shares in issue on the Stock Exchange not exceeding 10% of the total number of Shares in issue of the Company as at the date on which the Repurchase General Mandate is approved by the Shareholders.

The Repurchase General Mandate will be conditional upon (a) the special resolution for approving the grant of the Repurchase General Mandate being passed at the Annual General Meeting; and (b) the approvals of SAFE (or its successor authority) and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate. If the above conditions are not fulfilled, the Repurchase General Mandate will not be exercisable by the Directors.

The Repurchase General Mandate would expire on the earlier of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of a period of 12 months from the date of passing of the relevant resolution at the Annual General Meeting; or (iii) the date on which the authority conferred by the special resolution is revoked or varied by a special resolution of the Shareholders of the Company in a general meeting.

The Shares which may be repurchased by the Company pursuant to the Repurchase General Mandate shall not exceed 10% of the total number of Shares in issue of the Company as at the date of passing of the resolution approving the Repurchase General Mandate at the Annual General Meeting.

An explanatory statement giving certain information regarding the Repurchase General Mandate is set out in Appendix I to this circular.

XIV. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC on Friday, June 14, 2024 at 10:00 a.m..

The notice of the Annual General Meeting is set out on pages 24 to 30 of this circular.

The relevant form of proxy for use at the Annual General Meeting, is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fls123.com).

LETTER FROM THE BOARD OF DIRECTORS

Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for the holding of the Annual General Meeting (i.e. not later than 10:00 a.m. on Thursday, June 13, 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person if you so wish.

XV. CLOSURES OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, June 11, 2024, to Friday, June 14, 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC (for holders of Unlisted Shares) or 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 (for holders of H Shares) not later than 4:30 p.m. on Friday, June 7, 2024, for registration.

XVI. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, at any general meeting, a resolution put to the vote of Shareholders shall be taken by poll except where the chairman of the Annual General Meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, among which, voting at the meeting in respect of Resolutions No. 6(a) to No. 7 in relation to the proposed election of Directors and Supervisors (as the case may be) shall be conducted by way of cumulative voting.

An announcement on the poll results will be published by the Company after the Annual General Meeting in the manner prescribed under the Listing Rules.

XVII. RECOMMENDATION

The Directors are of the view that all resolutions set out in the notice of Annual General Meeting to be considered and approved by the Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favor of all resolutions to be proposed at the Annual General Meeting.

By order of the Board of Directors

FOLANGSI CO., LTD

Hou Zekuan

Chairman of the Board of Directors and Executive Director

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to enable you to make an informed decision on whether to vote for or against the special resolution to approve the grant of the Repurchase General Mandate to the Board of Directors. Neither the explanatory statement nor the proposed grant of the Repurchase General Mandate has any unusual features.

LISTING RULES RELATING TO SHARE REPURCHASE

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below. The purpose and arrangement of the Company's share repurchase are not in violation of the requirements of the Company Law and the Articles of Association.

REGISTERED CAPITAL

As at the Latest Practicable Date, the registered capital of the Company comprised 348,022,816 Shares (including 141,428,080 Unlisted Shares and 206,594,736 H Shares) with a nominal value of RMB0.25 each. Subject to the passing of the proposed resolution for the grant of the Repurchase General Mandate and on the basis that no Shares will be allotted and issued or repurchased by the Company on or prior to the date of the Annual General Meeting, the Company will be allowed under the Repurchase General Mandate to repurchase a maximum of 34,802,281 Shares, being the maximum of 10% of the total issued Shares as at the date of passing the relevant resolution.

REASONS FOR SHARE REPURCHASE

The Directors believe that the Repurchase General Mandate is in the interests of the Company and the Shareholders. An exercise of the Repurchase General Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

FUNDING OF SHARE REPURCHASE

In repurchasing its Shares, the Company may only apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws, rules and regulations of the PRC.

IMPACT OF SHARE REPURCHASE

There might be an adverse impact on the working capital and/or the gearing levels of the Company (as compared with the position disclosed in the audited accounts contained in the 2023 Annual Report) in the event the proposed Repurchase General Mandate was to be exercised in full. However, the Directors do not intend to exercise the Repurchase General Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital and/or gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing, in the best interests of the Company.

STATUS OF REPURCHASED SHARES

The Listing Rules provide that the listing of all Shares repurchased by the Company shall automatically be cancelled and the relevant share certificates shall be cancelled and destroyed. Under the PRC laws, the Shares repurchased by the Company will be cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the Shares so cancelled. The Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

H SHARE PRICES

The highest and lowest prices at which the H Shares have traded on the Stock Exchange since the Listing Date and up to and including the Latest Practicable Date were as follows:

Month	Highest (HK\$)	Lowest (HK\$)
November 2023 (from November 10, 2023)	15.48	14.30
December 2023	15.00	14.24
January 2024	14.80	14.00
February 2024	14.56	14.06
March 2024	14.50	14.18
April 2024 (up to the Latest Practicable Date)	14.42	14.38

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Repurchase General Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company in the event the Repurchase General Mandate is approved by the Shareholders at the Annual General Meeting.

As at the Latest Practicable Date, the Company has not been notified by any core connected person (as defined in the Listing Rules) of the Company that he/she/it has a present intention to sell any Shares to the Company, or that he/she/it has undertaken not to sell any of Shares held by him/her/it to the Company in the event that the Repurchase General Mandate is approved by the Shareholders at the Annual General Meeting.

IMPLICATION UNDER THE TAKEOVERS CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase General Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, the following substantial shareholders held interests in the Shares as follows:

Name of Shareholder	Capacity Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholding as at the Latest Practicable Date	Approximate percentage of shareholding if the Repurchase General Mandate is exercised in full ⁽¹⁾
Mr. Hou Zekuan (侯澤寬) ⁽²⁾	Beneficial owner	H Shares	15,876,204		
	Interest held jointly with another person	H Shares	30,793,492		
	Sub-total of H Shares	H Shares	46,669,696	13.41%	14.90%
	Beneficial owner	Unlisted Shares	37,044,480		

Name of Shareholder	Capacity Nature of interest	Class of Shares held	Number of Shares held	Approximate shareholding as at the Latest Practicable Date	Approximate percentage of shareholding if the Repurchase General Mandate is exercised in full ⁽¹⁾
	Interest held jointly with another person	Unlisted Shares	51,118,004		
	Sub-total of Unlisted Shares	Unlisted Shares	88,162,484	25.33%	28.15%
		Sub-total	134,832,180	38.74%	43.05%
Mr. Hou Zebing (侯澤兵) ⁽²⁾	Beneficial owner	H Shares	15,243,384		
	Interest in controlled corporations	H Shares	15,550,108		
	Interest held jointly with another person	H Shares	15,876,204		
	Sub-total of H Shares	H Shares	46,669,696	13.41%	14.90%
	Beneficial owner	Unlisted Shares	35,567,896		
	Interest in controlled corporations	Unlisted Shares	15,550,108		
	Interest held jointly with another person	Unlisted Shares	37,044,480		
	Sub-total of Unlisted Shares	Unlisted Shares	88,162,484	25.33%	28.15%
		Sub-total	134,832,180	38.74%	43.05%
Guangzhou Daze Investment Partnership (廣州達澤投資合夥企業 (有限合夥)) ("Guangzhou Daze")	Beneficial owner	H Shares	15,550,108	4.47%	4.96%
		Unlisted Shares	15,550,108	4.47%	4.96%
		Sub-total	31,100,216	8.94%	9.93%

Name of Shareholder	Capacity Nature of interest	Class of Shares held	Number of Shares held	Approximate shareholding as at the Latest Practicable Date	Approximate percentage of shareholding if the Repurchase General Mandate is exercised in full ⁽¹⁾
Suzhou Eastern Bell II Investment Center (Limited Partnership) (蘇州鐘鼎創業二號投資 中心(有限合夥)) ("Eastern Bell II")	Beneficial owner	H Shares	55,541,652	15.96%	17.73%
Shanghai Dingxiao Enterprise Management Consulting Center (Limited Partnership) (上海鼎蕭企業管理諮詢 中心(有限合夥)) ("Shanghai Dingxiao") ⁽³⁾	Interest in controlled corporations	H Shares	63,541,652	18.26%	20.29%
Ningbo Dingji Venture Capital Partnership Enterprise (Limited Partnership) (寧波鼎集創業投資合夥 企業(有限合夥)) ("Ningbo Dingji") ⁽³⁾	Interest in controlled corporations	H Shares	63,541,652	18.26%	20.29%
Mr. Yin Junping (尹軍平) ⁽³⁾	Interest in controlled corporations	H Shares	63,541,652	18.26%	20.29%
Shanghai Dingman Enterprise Management Co., Ltd. (上海鼎蔓企業 管理有限公司) ("Shanghai Dingman") ⁽³⁾	Interest in controlled corporations	H Shares	64,464,752	18.52%	20.58%

Name of Shareholder	Capacity Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholding as at the Latest Practicable Date	Approximate percentage of shareholding if the Repurchase General Mandate is exercised in full ⁽¹⁾
Mr. Yan Li (嚴力) ⁽³⁾	Interest in controlled corporations	H Shares	64,464,752	18.52%	20.58%
Shenzhen Xinyu Equity Investment Enterprise (Limited Partnership) (深圳鑫域股權投資企業 (有限合夥)) (“Shenzhen Xinyu”)	Beneficial owner	H Shares	18,555,976	5.33%	5.92%
		Unlisted Shares	4,000,000	1.15%	1.28%
		Sub-total	22,555,976	6.48%	7.20%
Mr. Zhang Gaozhao (張高照) ⁽⁴⁾	Interest in controlled corporations	H Shares Unlisted Shares Sub-total	18,555,976 4,000,000 22,555,976	5.33% 1.15% 6.48%	5.92% 1.28% 7.20%
Shenzhen Dachen Chuanglian Equity Investment Fund Partnership (Limited Partnership) (深圳市達 晨創聯股權投資基金合 夥企業(有限合夥)) (“Dachen Chuanglian”)	Beneficial owner	Unlisted Shares	21,440,924	6.16%	6.85%
Shenzhen Dachen Chuangtong Equity Investment Enterprise (Limited Partnership) (深圳市達晨創通股權投 資企業(有限合夥)) (“Dachen Chuangtong”)	Beneficial owner	Unlisted Shares	19,471,952	5.60%	6.22%

Name of Shareholder	Capacity Nature of interest	Class of Shares held	Number of Shares held	Approximate shareholding as at the Latest Practicable Date	Approximate percentage of shareholding if the Repurchase General Mandate is exercised in full ⁽¹⁾
Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd (深圳市達晨財智創業投 資管理有限公司) ("Dachen Caizhi") ⁽⁵⁾	Interest in controlled corporations	Unlisted Shares	40,912,876	11.76%	13.06%
Hunan Dianguang Media Co., Ltd. (湖南電廣傳媒 股份有限公司) ("Hunan Dianguang") ⁽⁵⁾	Interest in controlled corporations	Unlisted Shares	40,912,876	11.76%	13.06%

Notes:

- (1) The calculation is based on the total number of 313,220,535 Shares in issue assuming the Repurchase General Mandate is exercised in full.
- (2) Mr. Hou Zebing is the general partner of Guangzhou Daze. As such, Mr. Hou Zebing is deemed to be interested in the 31,100,216 Shares (including 15,550,108 Unlisted Shares and 15,550,108 H Shares) held by Guangzhou Daze under SFO. Mr. Hou Zekuan and Mr. Hou Zebing entered into an acting-in-concert agreement on May 18, 2020 with a supplemental agreement dated March 24, 2023 to acknowledge and confirm their acting-in-concert relationship in our Company, pursuant to which Mr. Hou Zekuan and Mr. Hou Zebing have agreed to continue to act in concert and reach consensus on any matter considered at board meetings and general meetings of our Company. Therefore, Mr. Hou Zekuan and Mr. Hou Zebing are deemed to be interested in the Shares held by each other.
- (3) Eastern Bell II is a limited partnership established in the PRC. As of December 31, 2023, the general partner of Eastern Bell II was Shanghai Dingxiao, whose general partner was Shanghai Dingman, which in turn, the equity interest of Shanghai Dingman was owned by Mr. Yan Li as to 99%. Ningbo Dingji was a limited partner of Shanghai Dingxiao and owned 60.83% partnership interest of Shanghai Dingxiao. Shanghai Dingman was the general partner of Ningbo Dingji. Mr. Yin Junping was a limited partner of Ningbo Dingji and held 66.25% partnership interest of Ningbo Dingji.

Suzhou Eastern Bell III Investment Center (Limited Partnership) (蘇州鐘鼎三號創業投資中心(有限合夥)) ("Eastern Bell III") is a limited partnership established in the PRC. As of December 31, 2023, the general partner of Eastern Bell III was Shanghai Dingxiao, whose general partner was Shanghai Dingman. As such, each of Shanghai Dingxiao, Ningbo Dingji, and Mr. Yin Junping is deemed to be interested in (i) 55,541,652 H Shares held by Eastern Bell II; and (ii) 8,000,000 H Shares held by Eastern Bell III.

Shanghai Dingmin Investment Management Center (Limited Partnership) (上海鼎民投資管理中心(有限合夥)) ("Shanghai Dingmin") is a limited partnership established in the PRC. As of December 31, 2023, Ningbo Zhongding Lilong Venture Investment Partnership (Limited Partnership) (寧波鐘鼎力隴創業投資合夥企業(有限合夥)) ("Zhongding Lilong") was a limited partner of Shanghai Dingmin and held 99% partnership interest of Shanghai Dingmin. The general partner of Zhongding Lilong was Ningbo Dingpu Venture Capital Partnership (Limited Partnership) (寧波鼎浦創業投資合夥企業(有限合夥)), whose general partner was Shanghai Dingman.

As such, each of Mr. Yan Li and Shanghai Dingman is deemed to be interested in (i) 55,541,652 H Shares held by Eastern Bell II, (ii) 8,000,000 H Shares held by Eastern Bell III and (iii) 923,100 H Shares held by Shanghai Dingmin.

- (4) Shenzhen Xinyu is a limited partnership established in the PRC. As of December 31, 2023, the general partner of Shenzhen Xinyu was Mr. Zhang Gaozhao (張高照). As such, Mr. Zhang Gaozhao is deemed to be interested in 22,555,976 Shares held by Shenzhen Xinyu.
- (5) Each of Dachen Chuanglian and Dachen Chuangtong is a limited partnership established in the PRC. As of December 31, 2023, Dachen Caizhi was the general partner of each of Dachen Chuanglian and Dachen Chuangtong. Dachen Caizhi was owned as to 55% equity interest by Hunan Dianguang, a company listed on the Shenzhen Stock Exchange (stock code: 000917.SZ). As such, each of Dachen Caizhi and Hunan Dianguang is deemed to be interested in (i) 21,440,924 Unlisted Shares held by Dachen Chuanglian and (ii) 19,471,952 Unlisted Shares held by Dachen Chuangtong.

As shown above, on the basis that no Shares will be issued or repurchased by the Company on or prior to the date of the Annual General Meeting and in the event that the Directors exercise in full the power to repurchase Shares under the Repurchase General Mandate, if so approved, in accordance with the terms of resolution no. 12 as set out in the notice of the Annual General Meeting, the shareholding of each of Mr. Hou Zekuan and Mr. Hou Zebing would increase from approximately 38.74% to approximately 43.05%. The Directors consider that such increase may give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

However, the Directors have no present intention to make any repurchases to such an extent as would, in the circumstances, trigger the obligations under the Takeovers Code to make mandatory offers. Save as aforesaid, the Directors are not aware of any consequences which will arise under the Takeovers Code and/or any similar applicable law as a result of any repurchases to be made under the Repurchase General Mandate.

The Listing Rules prohibit a company from making repurchases on the Stock Exchange if the result of the repurchase would be that less than 25% (or such other prescribed minimum percentage as determined by the Stock Exchange) of the total number of issued Shares of the Company would be in public hands. The Directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of the Shares (whether on the Stock Exchange or otherwise) during the period from the Listing Date up to the Latest Practicable Date.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Annual General Meeting**”) of FOLANGSI CO., LTD (the “**Company**”) will be held at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC on Friday, June 14, 2024 at 10:00 a.m., for the purposes of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalized terms used herein shall have the same meaning as those defined in the circular dated April 18, 2024 issued by the Company (the “**Circular**”):

ORDINARY RESOLUTIONS

1. To receive, consider and approve the audited consolidated financial statements of the Company and its subsidiaries, and the report of the auditor of the Company, for the year ended December 31, 2023.
2. To receive, consider and approve the report of the Board of Directors of the Company for 2023.
3. To receive, consider and approve the report of the Supervisory Committee of the Company for 2023.
4. To receive, consider and approve the annual report of the Company for 2023.
5. To consider and approve the profit distribution plan for 2023.

ORDINARY RESOLUTIONS (CUMULATIVE VOTING)

- 6(a). To consider and approve the appointment of Mr. Zhou Limin as an executive Director of the Company.
- 6(b). To consider and approve the appointment of Mr. Yu Chuanfen as a non-executive Director of the Company.
- 6(c). To consider and approve the appointment of Mr. Du Lizhu as an independent non-executive Director of the Company.

NOTICE OF ANNUAL GENERAL MEETING

7. To consider and approve the appointment of Ms. Liu Xiaoli as a Supervisor of the Company.

ORDINARY RESOLUTIONS

8. To consider and approve the remuneration plan for the Directors and the Supervisors.
9. To consider and approve the proposed re-appointment of Ernst & Young as the auditors of the Company for 2024, and to authorize the Board of Directors to fix the remuneration of Ernst & Young for 2024.
10. To consider and approve the authorization to the Board of Directors (and any management as designated by the Board of Directors) to enter into composite credit facilities, loans and finance leasing arrangements in 2024 subject to conditions.

SPECIAL RESOLUTIONS

11. To consider and approve the granting of a general mandate to the Board of Directors to, during the Relevant Period, allot, issue and deal with additional Shares not exceeding 20% of the total issued Shares of the Company as at the date of passing this resolution, and to authorize the Board of Directors to (1) make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new share capital structure upon the allotment or issuance of Shares; and (2) formulate and implement any detailed Share issuance proposal pursuant to any exercise of the general mandate:

“THAT:

- (A) (a) subject to paragraph (c) below and in accordance with the relevant requirements of the Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC, the exercise by the Board of Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional Shares and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Board of Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

(c) the aggregate number of Shares allotted, issued and dealt with, or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board of Directors pursuant to the approval granted in paragraph (a) shall not exceed 20% of the aggregate number of the issued Shares as at the date of passing this resolution, other than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association; and

(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of a period of 12 months from the date of passing the relevant resolution at the Annual General Meeting; or
- (iii) the revocation or variation of the authority given under this resolution by a special resolution of the Shareholders of the Company at a general meeting,

unless the Board of Directors decides to issue Shares during the Relevant Period, such share issue may be proceeded or conducted after the end of the Relevant Period.

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (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, or the requirements, of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of Shares by way of rights shall be construed accordingly.

(B) the Board of Directors is authorized to (1) make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new share capital structure upon; and (2) formulate and implement any detailed Share issuance proposal pursuant to, the allotment or issuance of Shares as provided in sub-paragraph (a) of paragraph (A) of this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

12. To consider and approve the granting of a general mandate to the Board of Directors to repurchase issued Shares not exceeding 10% of the total issued Shares of the Company as at the date of passing this resolution, during the Relevant Period.

“THAT:

- (a) By reference to market conditions and in accordance with needs of the Company, repurchase issued Shares not exceeding 10% of the total number of Shares in issue as at the date when this resolution is passed;
- (b) the Board of Directors be authorized to (including but not limited to the following):
 - (i) determine detailed repurchase plan(s), including but not limited to repurchase price, number of Shares to repurchase, timing of repurchase and period of repurchase, etc.;
 - (ii) open overseas share accounts and carry out the foreign exchange approval and the foreign exchange change registration procedures in relation to transmission of repurchase fund overseas; and
 - (iii) carry out cancellation procedures for repurchased Shares, reduce registered capital of the Company in order to reflect the amount of Shares repurchased in accordance with the authorization received by the Board of Directors under paragraph (a) of this special resolution and make corresponding amendments to the Articles of Association as it thought fit and necessary in order to reflect the reduction of the registered capital of the Company and carry out any other necessary actions and deal with any necessary matters in order to repurchase relevant Shares in accordance with paragraph (a) of this special resolution.
- (c) For the purposes of this special resolution, “**Relevant Period**” means the period from the passing of this special resolution until the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution;
 - (ii) the expiration of a period of 12 months from the date of passing the relevant resolution at the Annual General Meeting; or
 - (iii) the date on which the authority conferred to the Board of Directors set out in this resolution is revoked or varied by a special resolution of the Shareholders of the Company at a general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

13. To extend the general mandate granted to the Board of Directors under resolution no. 11 by the number of Shares repurchased under resolution no. 12.

By order of the Board of Directors

FOLANGSI CO., LTD

Hou Zekuan

Chairman of the Board of Directors and Executive Director

Guangzhou City, the People's Republic of China

April 18, 2024

Notes:

1. CLOSURES OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, June 11, 2024, to Friday, June 14, 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC (for holders of Unlisted Shares) or 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 (for holders of H Shares) not later than 4:30 p.m. on Friday, June 7, 2024, for registration.

2. PROXY

Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote in their stand. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporate body, the form of proxy must be either executed under its common seal or under the hand of its legal representative(s) or director(s) or duly authorized attorney(s).

The form or proxy together with the power of attorney or other authorization documents (if any), under which it is signed or a certified copy of that power or authorization document, must be lodged at the Company's headquarters and principal place of business in China at No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC (for holders of Unlisted Shares) or 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 (for holders of H Shares) not less than 24 hours before the time fixed for holding the Annual General Meeting (i.e. before 10:00 a.m. on Thursday, June 13, 2024) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a shareholder of the Company from attending the meeting and voting in person if he/she/it so wishes.

3. CONTACT DETAILS OF THE COMPANY

Contact Address: No. 999, Yayun Avenue, Shiqi Town, Panyu District, Guangzhou City, Guangdong Province, PRC

Contact Person: Ms. Ma Li, Secretary of the Board

Contact Telephone: (86) 020 66855746

Contact Fax: (86) 202 66855740

NOTICE OF ANNUAL GENERAL MEETING

4. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, at any general meeting, a resolution put to the vote of Shareholders shall be taken by poll except where the chairman of the AGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

An announcement on the poll results will be published by the Company after the Annual General Meeting in the manner prescribed under the Listing Rules.

5. CUMULATIVE VOTING

IMPORTANT:

- (a) Pursuant to the Articles of Association of the Company, voting at the meeting in respect of Resolutions No. 6(a) to No. 7 in relation to the proposed election of Directors and Supervisors (as the case may be) shall be conducted by way of cumulative voting. In respect of these resolutions, you are entitled to a number of votes equivalent to the number of shares held by you multiplied by the number of the Director or Supervisor candidates.
- (b) The cumulative voting will be conducted separately by three categories of (i) the executive Directors and non-executive Directors, (ii) the independent non-executive Directors and (iii) the Supervisors, i.e. (i) for the election of the executive Directors and non-executive Directors, the total number of votes you may cast shall be equal to the number of shares held by you multiplied by the number of the proposed candidates for executive Directors and non-executive Directors, i.e. 2, and this particular allocation of votes may only be cast on the proposed executive Director and non-executive Director candidates; (ii) for the election of the independent non-executive Directors, the total number of votes you may cast shall be equal to the number of shares held by you multiplied by the number of the proposed candidates for independent non-executive Directors, i.e. 1, and this particular allocation of votes may only be cast on the proposed independent non-executive Director candidates; and (iii) for the election of Supervisors, the total number of votes you may cast shall be equal to the number of shares held by you multiplied by the number of the proposed Supervisors, i.e. 1, and this particular allocation of votes may only be cast on the proposed Supervisor candidates.

For illustration, if you hold 100 shares, the total number of votes you may cast in respect of Resolutions No. 6(a) and No. 6(b) will be 200 votes, and this particular allocation of votes may only be cast on the proposed executive Director and non-executive Director candidates; the total number of votes you may cast in respect of Resolution No. 6(c) will be 100 votes, and this particular allocation of votes may only be cast on the proposed independent non-executive Director candidates; and the total number of votes you may cast in respect of Resolution No. 7 will be 100 votes, and this particular allocation of votes may only be cast on the proposed Supervisor candidates.

Within the particular allocation of votes, you may either cast all your votes to one of the proposed Director or Supervisor candidates respectively, or cast them equally or diversely to more than one of the proposed Director or Supervisor candidates.

- (c) Please note with particular attention that, if the total number of votes you cast are less than or equal to the maximum number of votes you may cast in respect of that particular category, your votes shall be valid and the votes not cast shall be deemed to have been waived by you; if the total number of votes you cast exceeds the maximum number of votes you have, all the votes cast by you shall be invalid and you shall be deemed as having waived your right to vote on the relevant resolutions.

For illustration, if you hold 100 shares and cast 200 votes or less in respect of Resolutions No. 6(a) and No. 6(b), your votes shall be valid and the votes not cast (if any) shall be deemed to have been waived by you. However, if you cast more than 200 votes in respect of Resolutions No. 6(a) and No. 6(b), all the votes cast by you shall be invalid and you shall be deemed as having waived your right to vote on such resolutions. Similar ruling shall also be applied to Resolutions No. 6(c) and No. 7.

- (d) A Director or Supervisor candidate who has received favourable votes exceeding half of the number of shares carrying voting rights (i.e. the number of shares assuming cumulative voting has not been applied) represented by the Shareholders attending the meeting shall be elected as a Director or Supervisor.

NOTICE OF ANNUAL GENERAL MEETING

6. OTHER BUSINESS

Holders of Shares shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the Annual General Meeting. If corporate Shareholders appoint authorized representatives to attend the Annual General Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy forms signed by the Shareholders or their attorneys when attending the Annual General Meeting.

References to time and dates in this notice are to Hong Kong time and dates.

For details of the resolutions proposed at the Annual General Meeting, please refer to the Circular.

As at the date of this notice, the Board of Directors comprises Mr. Hou Zekuan as the chairman of the Board of Directors 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.