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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months ended June 30, 2024 together with the comparative figures for the corresponding period in 2023 as set out below.

These interim 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 interim results.

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 12.7% from approximately RMB646.2 million for the six months ended June 30, 2023 to approximately RMB728.0 million for the six months ended June 30, 2024.

Net profit of the Group increased by 292.8% from approximately RMB10.7 million for the six months ended June 30, 2023 to approximately RMB42.2 million for the six months ended June 30, 2024.

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, thereby creating a huge growth potential for the intralogistics equipment solution market in China.

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 June 30, 2024, we had 77 offline service outlets in 48 cities throughout China, managing over 50,000 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 excellent performance in the first half of 2024, with net profit hitting a new high.

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.

Business Review

During the Reporting Period, our principal business activities covered comprehensive solution services integrated with intralogistics equipment subscription services, maintenance and repair services and sales of intralogistics equipment and parts. Meanwhile, we actively explored comprehensive solution services of new categories of equipment, including mechanical equipment such as electric loaders.

In the first half of 2024, we continued to follow the strategy of "building a leading PRC high-dimensional and shared ecological platform for B2B industrial and logistics equipment", actively expanded our core business of intralogistics equipment subscription services, and comprehensively promoted the implementation of the three-step plan of "empowering service network, diversifying service offerings and internationalization" to accelerate improvements in both our operational performance and market share, thereby further consolidating our leading position in the industry.

Strengthening Network Construction, Improving Service Infrastructure and Enhancing Core Service Capabilities to Build Barriers to Competition

In order to build a comprehensive and multi-functional service system and continuously improve our core service capabilities, we successfully promoted and carried out network layout in the following three aspects in the first half of 2024:

Equity acquisition: We had been successfully promoting the acquisition of the entire equity interest in Nichiyu Forklift (Shanghai) Co., Ltd. (力至優叉車(上海)有限公司), whose outstanding brand effect, abundant capital and rich customer and supply chain resources would facilitate the expansion of our asset scale and customer coverage.

Asset acquisition: We completed the acquisition of over 700 units of intralogistics equipment from Anhui Fengyu Forklift Co., Ltd. (安徽豐宇叉車有限公司) and Shanghai Zhenbao Industrial Equipment Co., Ltd. (上海臻寶工業設備有限公司), involving about 100 collaborative customers related to these companies, covering a wide range of industries including automobile, electrical appliance, glass, papermaking, photovoltaic and new energy, etc., which would facilitate in further enhancing our industry competitiveness.

Empowering partnerships: We had been adhering to innovative development and win-win cooperation. We leveraged on the management advantage of our integrated platform and followed the principle of "taking the essence and discarding the dregs" under the "recruitment, fostering, growth and acquisition" empowerment process of our empowering partnership model, where we provided precise support for empowerment partner enterprises in various aspects including management, supply chain and technology, and improved the efficiency of resource allocation among various regions to enhance the operating condition, market scale and profitability of such enterprises, thereby allowing for better alignment with the Group's potential business cooperation with such enterprises. In the first half of 2024, we have accumulated over 60 enterprises as our empowering partners, the synergy effect and scale effect under which will facilitate the expansion of our service network layout nationwide.

Expanding Service Offerings and Streamlining Diversified Business Channels to Form a Platform System Compatible to Multiple Categories of Equipment

In the first half of 2024, we focused on diversified operations, continuously optimised business structure and actively explored the electric loader equipment category to build a new type of business.

The electrification of loaders is currently at the early stage of development with a huge room for improvement in the electrification market penetration rate. Compared with internal combustion equipment, electric loader features energy conservation and emission reduction and is able to cater to the emergent need of enterprises in "cost reduction and efficiency improvement". As a result of the above and in response to national environmental policies, many businesses using internal combustion engine loaders have been required to gradually switch to using electric loaders. In addition, electric loaders have great synergy effect with our Forklift products in the customer system, and their application scenarios extensively cover steels, glasses, ceramics, papermaking, ports and terminals. Driven by the policy guidance and increasing market demands, the electric loader market has a broad prospect for development.

Relying on our strong service capability, supply chain capacity and asset operation management capability, the Company focused on national industrial and logistics customer groups to expand the coverage of customer services, and implemented the product and service offering expansion plan for the electric loader business, which has achieved satisfactory results in both marketing effect and market response and has promoted the continuous optimization of our business structure and the expansion of our operating scale.

Actively Embracing Market Changes and Making Presence Overseas to Achieve Balanced Development of Domestic and International Businesses

While deeply exploring potentials in domestic market demands, we also actively made presence overseas and promoted the Company's international development strategy. As one of the international commercial, financial and trade centers, Hong Kong enjoys a strong geographical advantage of leveraging the mainland while engaging the world. In the first half of 2024, the Company established a wholly-owned subsidiary in Hong Kong, Folangsi (Hong Kong) Co., Limited, which was intended as a reach to explore overseas market to promote the gradual increase of our international market share and gradually achieve balanced development of our domestic and international businesses.

Outlook

The second half of 2024 remains as part of the new beginning for the Company. We will capitalize fully on our post-listing brand influence, continue to 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", and strive to enhance our "online + offline" service capabilities, equipment remanufacturing technical process and other core competencies, so as to continuously build competitive barriers for enterprises.

Additionally, we will continue 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 our 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 industrial and logistics 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 six months ended June 30, 2024 and the six months ended June 30, 2023:

	For the six months ended June 30,				Year-on-year percentage change
	2024		2023		
	RMB'000	*%*	*RMB'000*	*%*	*%*
Intralogistics equipment subscription services	**379,749**	**52.2**	366,602	56.7	3.6
Maintenance and repair services	**85,590**	**11.8**	83,484	12.9	2.5
Sales of intralogistics equipment and parts	**262,707**	**36.0**	196,108	30.4	34.0
Total	**728,046**	**100.0**	646,194	100.0	12.7

The Group's revenue increased by 12.7% from approximately RMB646.2 million for the six months ended June 30, 2023 to approximately RMB728.0 million for the six months ended June 30, 2024, primarily due to the following reasons:

1. Our revenue from intralogistics equipment subscription services increased by 3.6% from approximately RMB366.6 million for the six months ended June 30, 2023 to approximately RMB379.7 million for the six months ended June 30, 2024, primarily due to the increase in the number of new customers, the increased revenue from existing customers and increased overall utilization rates of intralogistics equipment driven by the Group's business expansion and enhanced operational capability during the Reporting Period;

2. Our revenue from maintenance and repair services increased by 2.5% from approximately RMB83.5 million for the six months ended June 30, 2023 to approximately RMB85.6 million for the six months ended June 30, 2024, primarily due to (i) business and customer growth as a result of the continued market recognition of our "Repair & Maintenance Scheme" service during the Reporting Period; and (ii) wider geographic coverage of the Group's business; and

3. Our revenue from sales of intralogistics equipment and parts increased by 34.0% from approximately RMB196.1 million for the six months ended June 30, 2023 to approximately RMB262.7 million for the six months ended June 30, 2024, primarily due to (i) our proactive expansion in the sales of our new energy products (e.g. Lithium batteries, etc.) in response to related market demands during the Reporting Period; and (ii) our proactive expansions in the intralogistics equipment and parts trading business in domestic and overseas markets during the Reporting Period.

Cost of Sales

The Group's cost of sales increased by 10.4% from approximately RMB460.7 million for the six months ended June 30, 2023 to approximately RMB508.5 million for the six months ended June 30, 2024, 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 six months ended June 30, 2024 and the six months ended June 30, 2023:

	For the six months ended June 30,				
	2024		2023		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	**123,119**	**32.4**	111,328	30.4	10.6
Maintenance and repair services	**35,669**	**41.7**	30,870	37.0	15.5
Sales of intralogistics equipment and parts	**60,794**	**23.1**	43,312	22.1	40.4
Total	**219,582**	**30.2**	185,510	28.7	18.4

The Group's gross profit increased by 18.4% from approximately RMB185.5 million for the six months ended June 30, 2023 to approximately RMB219.6 million for the six months ended June 30, 2024, which is in line with the growing trend of the Group's revenue. Our total gross profit margin increased from 28.7% for the six months ended June 30, 2023 to 30.2% for the six months ended June 30, 2024, primarily due to the following reasons:

1. Our gross profit from intralogistics equipment subscription services increased by 10.6% from approximately RMB111.3 million for the six months ended June 30, 2023 to approximately RMB123.1 million for the six months ended June 30, 2024, primarily due to the growth in our intralogistics equipment subscription services business and the improvement in our operation and management capability. Our gross profit margin of intralogistics equipment subscription services increased from 30.4% for the six months ended June 30, 2023 to 32.4% for the six months ended June 30, 2024, primarily due to increased overall utilization rates of intralogistics equipment;

2. Our gross profit from maintenance and repair services increased by 15.5% from approximately RMB30.9 million for the six months ended June 30, 2023 to approximately RMB35.7 million for the six months ended June 30, 2024, primarily due to increased uses of "Repair & Maintenance Scheme" service by our customers. Our gross profit margin of maintenance and repair services increased from 37.0% for the six months ended June 30, 2023 to 41.7% for the six months ended June 30, 2024, primarily due to the continued improvement in our operational efficiency, especially in relation to our "Repair & Maintenance Scheme" service; and

3. Our gross profit from sales of intralogistics equipment and parts increased by 40.4% from approximately RMB43.3 million for the six months ended June 30, 2023 to approximately RMB60.8 million for the six months ended June 30, 2024, which is in line with the growing trend of the revenue from sales of intralogistics equipment and parts. Our gross profit margin of sales of intralogistics equipment and parts remained relatively stable at 22.1% for the six months ended June 30, 2023 and 23.1% for the six months ended June 30, 2024.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 7.6% from approximately RMB42.6 million for the six months ended June 30, 2023 to approximately RMB45.8 million for the six months ended June 30, 2024, primarily due to the increase in staff costs and office expenses of our marketing department along with the expansion in our geographic coverage.

Administrative Expenses

The Group's administrative expenses increased by 12.1% from approximately RMB77.3 million for the six months ended June 30, 2023 to approximately RMB86.7 million for the six months ended June 30, 2024, primarily due to (i) the increased employee headcount of our administrative team to support our business development; and (ii) the increased research and development expenses incurred to improve operational efficiency.

Other Income and Gains

The Group's other income and gains increased by 220.9% from approximately RMB3.0 million for the six months ended June 30, 2023 to approximately RMB9.5 million for the six months ended June 30, 2024, primarily due to (i) additional temporary rental incomes from the leasing of certain idle venues in our base in Hefei; and (ii) increased interest income generated from the proceeds raised upon our successful listing.

Other Expenses

The Group's other expenses decreased by 94.7% from approximately RMB18.8 million for the six months ended June 30, 2023 to approximately RMB1.0 million for the six months ended June 30, 2024, primarily due to the listing expenses of approximately RMB18.7 million being recognized in other expenses during the six months ended June 30, 2023, while no such expenses were recognized during the Reporting Period.

Finance Costs

The Group's finance costs increased by 28.4% from approximately RMB39.0 million for the six months ended June 30, 2023 to approximately RMB50.1 million for the six months ended June 30, 2024, primarily due to (i) increased interests on bank loans and other borrowings to support our business development; and (ii) the recognition of the relevant bank loan interests following the completion of the second phase construction of our base in Hefei during the Reporting Period.

Income Tax Expenses/(Credit) and Effective Tax Rate

The Group recorded income tax expenses of approximately RMB1.4 million and effective tax rate of approximately 3.1% for the six months ended June 30, 2024, while it recorded income tax credit of approximately RMB0.9 million and effective tax rate of approximately negative 8.6% for the six months ended June 30, 2023. The change was primarily due to the increase in taxable profit.

Profit for the Period

As a result of the above, our profit for the period increased by 292.8% from approximately RMB10.7 million for the six months ended June 30, 2023 to approximately RMB42.2 million for the six months ended June 30, 2024.

Liquidity, Financial Resources, Treasury Policies and Capital Structure

As at June 30, 2024, the Group had current assets of approximately RMB891.0 million, representing an increase of 5.3% from approximately RMB846.5 million as at December 31, 2023, primarily due to the increase in trade and bill receivables along with our business expansion. The Group had current liabilities of approximately RMB1,333.1 million, representing an increase of 19.3% from approximately RMB1,117.3 million as at December 31, 2023, 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 RMB442.1 million as at June 30, 2024 (December 31, 2023: RMB270.8 million). The Group's current ratio was 0.67 at June 30, 2024 as compared with 0.76 at December 31, 2023, which equals to total current assets divided by total current liabilities as at the end of the period.

As at June 30, 2024, the Group's cash and cash equivalents amounted to approximately RMB169.4 million (December 31, 2023: RMB200.8 million), which is mainly funded from operations and the proceeds raised upon our successful listing. As at June 30, 2024, the Group's total facilities for bank and other borrowings amounted to RMB4,179.9 million (December 31, 2023: RMB3,032.2 million) of which RMB1,859.6 million (December 31, 2023: RMB1,582.9 million) had been utilized.

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 and up to June 30, 2024. The capital of the Company comprises ordinary shares including 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. We did not purchase any structured deposits during the six months ended June 30, 2024 (during the year ended December 31, 2023: RMB40.0 million).

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 negotiate more favorable repayment terms with financial institutions, continuously improve working capital management efficiency, or issue new shares.

Pledge of Assets

As at June 30, 2024, the Group pledged assets of approximately RMB473.7 million as collateral for bank borrowings or any other financing activities, representing an increase of 13.1% from approximately RMB418.8 million as at December 31, 2023, primarily to obtain sufficient facilities to fulfill the Group's business expansion needs.

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 June 30, 2024, the Group had not entered into any exchange contracts or any hedging transactions or instruments 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.

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 disclosed in the Company's annual results announcement dated March 20, 2024 (the "**2023 Annual Results Announcement**") and annual report dated April 18, 2024 (the "**2023 Annual Report**"), the Company intended to accelerate the implementation of certain portions of the GO Net Proceeds. As at June 30, 2024, the Group has utilized approximately RMB29.8 million of the GO Net Proceeds, representing approximately 27.9% of the total GO Net Proceeds, in accordance with the intended use and expected implementation timetable set out in the Prospectus, the 2023 Annual Results Announcement and the 2023 Annual Report. As at the date of this announcement, the unutilized net proceeds have 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 June 30, 2024 (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 June 30, 2024**	**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	18.9	29.2	By the end of 2025
Expand and upgrade our supply chain infrastructure	20.0	23.3	21.4	4.1	17.3	By the end of 2025
Strengthen our technology capabilities and infrastructure	15.0	17.4	16.0	4.2	11.8	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	2.6	8.1	By the end of 2025
Total	**100.0**	**116.3**	**106.9**	**29.8**	**77.1**	

The Company does not have any intention to change the intended use and expected implementation timetable of the GO Net Proceeds as set out in the Prospectus, the 2023 Annual Results Announcement and the 2023 Annual Report. The Company will gradually utilize the GO Net Proceeds with the intended use according to the expected implementation timetable.

See the section headed "Future Plans and Use of Proceeds" in the Prospectus and the sections headed "Net Proceeds from the Global Offering and Use of Proceeds" in each of the 2023 Annual Results Announcement and the 2023 Annual Report 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 June 30, 2024, we had 1,800 (June 30, 2023: 1,691) full-time employees, all of whom were based in China. Our total employee benefit expense (excluding Directors' and Supervisors' remunerations) were RMB122.8 million (for the six months ended June 30, 2023: RMB109.3 million) for the six months ended June 30, 2024. 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 did not experience 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 its 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 six months ended June 30, 2024.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On July 18, 2024, the Company announced that the Board has resolved to approve Folangsi (Hong Kong) Co., Limited (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, Mitsubishi Logisnext Co., Ltd. (the "**Vendor**"), Nichiyu Forklift (Shanghai) Co., Ltd. (力至優叉車(上海)有限公司) (the "**Target Company**"), the Company (as the Purchaser's guarantor) and Logisnext Forklift (Shanghai) Co., Ltd. (物捷仕叉車(上海)有限公司) (the "**Vendor Guarantor**") to enter into the equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which (i) the Vendor conditionally agrees to sell and the Purchaser conditionally agrees to acquire the entire equity interest in the Target Company for a consideration of RMB33,923,000 (subject to adjustment) (the "**Acquisition**"); (ii) the Company agrees to guarantee the performance of the obligations of the Purchaser under the Equity Transfer Agreement; and (iii) the Vendor Guarantor agrees to guarantee the performance of the obligations of the Vendor under the Equity Transfer Agreement.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Please refer to the Company's announcements dated July 18, 2024 and July 25, 2024 for details.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2024

	Notes	**2024 (Unaudited)** ***RMB'000***	2023 (Unaudited) *RMB'000*
REVENUE	*4*	**728,046**	646,194
Cost of sales		**(508,464)**	(460,684)
Gross profit		**219,582**	185,510
Other income and gains	*5*	**9,503**	2,961
Selling and distribution expenses		**(45,844)**	(42,601)
Administrative expenses		**(86,653)**	(77,308)
Impairment losses on financial assets, net		**(2,490)**	(883)
Other expenses		**(1,000)**	(18,769)
Finance costs		**(50,081)**	(39,004)
Share of profits/(losses) of associates		**537**	(14)
PROFIT BEFORE TAX	*6*	**43,554**	9,892
Income tax (expense)/credit	*7*	**(1,356)**	850
PROFIT FOR THE PERIOD		**42,198**	10,742
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**42,198**	10,742
Profit and total comprehensive income attributable to:			
Owners of the Company		**42,198**	10,742
EARNINGS PER SHARE ATTRIBUTABLE TO THE COMPANY			
Basic and diluted	*9*	**RMB0.12**	RMB0.03

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
30 June 2024

	Notes	**30 June 2024 (Unaudited)** ***RMB'000***	31 December 2023 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,197,733**	1,092,855
Right-of-use assets		**1,286,134**	1,079,423
Intangible assets		**20,484**	7,882
Investments in associates		**11,339**	10,802
Deposits		**131,578**	104,551
Deferred tax assets		**5,444**	5,756
Total non-current assets		**2,652,712**	2,301,269
CURRENT ASSETS			
Inventories		**133,213**	91,010
Trade and bills receivables	*10*	**428,453**	373,964
Prepayments, deposits and other receivables		**104,709**	107,640
Restricted deposits		**55,228**	73,128
Cash and cash equivalents		**169,358**	200,760
Total current assets		**890,961**	846,502
CURRENT LIABILITIES			
Trade and bills payables	*11*	**370,724**	306,670
Other payables and accruals		**168,588**	161,834
Interest-bearing bank loans and other borrowings		**792,818**	648,005
Tax payable		**963**	781
Total current liabilities		**1,333,093**	1,117,290

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NET CURRENT LIABILITIES		**(442,132)**	(270,788)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,210,580**	2,030,481
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**1,066,747**	934,853
Other payables and accruals		**24,299**	18,257
Deferred tax liabilities		**547**	582
Total non-current liabilities		**1,091,593**	953,692
NET ASSETS		**1,118,987**	1,076,789
EQUITY			
Equity attributable to owners of the Company			
Share capital		**87,006**	87,006
Reserves		**1,031,981**	989,783
Total equity		**1,118,987**	1,076,789

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 June 2024

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

The unaudited interim condensed consolidated financial information is presented in Renminbi ("RMB") and all value are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

As at 30 June 2024, the Group had net current liabilities of RMB442.1 million. The directors of the company (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 coming 12 months from the date of approval of the interim condensed consolidated financial statements after taking into account, inter alia, the historical operating performance and the unutilised borrowing facilities of the Group amounting to RMB2,320.3 million available for the coming 12 months from the date of approval of the interim condensed consolidated financial statements.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The application of these revised HKFRSs in the period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services 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.

4 REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**458,253**	350,390
Revenue from operating leases (included in intralogistics equipment subscription services)	**269,793**	295,804
Total	**728,046**	646,194

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Intralogistics equipment subscription services (excluding operating leases)	**109,956**	70,797
Maintenance and repair services	**85,590**	83,484
Sales of intralogistics equipment and parts	**262,707**	196,109
Total	**458,253**	350,390

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
People's Republic of China ("PRC")	**370,375**	268,016
Oversea*	**87,878**	82,374
Total	**458,253**	350,390
Timing of revenue recognition		
Goods transferred at a point in time	**262,707**	196,109
Services transferred over time	**195,546**	154,281
Total	**458,253**	350,390

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

5 OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Rental income	**3,026**	–
Interest income	**2,291**	792
Foreign exchange differences, net	**2,038**	387
Government grant*	**1,834**	1,282
Fair value gain of financial assets at fair value through profit or loss	**–**	93
Others	**314**	407
Total	**9,503**	2,961

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

6 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**271,531**	208,367
Depreciation of property, plant and equipment*	**95,766**	99,868
Depreciation of right-of-use assets*	**100,732**	121,631
Lease payments not included in the measurement of lease liabilities	**5,064**	603
Amortisation of intangible assets	**1,548**	902
Research and development costs**	**22,130**	17,803
Listing expenses*****	**–**	18,663
Employee benefit expenses:		
Wages and salaries	**106,832**	95,245
Pension scheme contributions (defined contribution schemes)	**15,963**	14,073
Total	**122,795**	109,318
Foreign exchange differences, net****	**(2,038)**	(387)
Impairment of trade receivables	**2,490**	883
Gains on disposals of property, plant and equipment***	**(28)**	(286)

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

**** Foreign exchange gain and foreign exchange loss are included in "Other income and gains" in profit or loss.

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

7 INCOME TAX

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 are 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 of the PRC every three years.

Except for Anhui Folangsi Machinery Co., Ltd., Guangzhou Folangsi Forklift Co., Ltd. and Hefei Langhui New Energy Technology Co., Ltd., other subsidiaries of the Group in the PRC are qualified as "Small and Micro Enterprises" and therefore were entitled to a preferential income tax rate of 5% to 10% during the year.

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**1,079**	368
Deferred	**277**	(1,218)
Total	**1,356**	(850)

8 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2024 and 2023.

9 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 348,022,816 (2023: 335,886,816) in issue during the period, as adjusted to reflect the rights issue during the period after adjusting for the Subdivision defined as below, on 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 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 six-month period ended 30 June 2023.

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

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**42,198**	10,742

	Number of shares For the six months ended 30 June	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**348,022,816**	335,886,816

10 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:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within three months	**341,640**	276,177
Four to six months	**49,546**	64,856
Six to twelve months	**17,704**	16,643
Over one year	**19,563**	16,288
Total	**428,453**	373,964

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:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within three months	**330,737**	267,305
Three months to one year	**31,556**	33,839
Over one year	**8,431**	5,526
Total	**370,724**	306,670

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. During the Reporting Period, 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. Having made specific enquiries 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 Reporting Period.

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

During the Reporting Period, 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.

AUDIT COMMITTEE

The Board has established the Audit Committee, which comprises three members, namely, Mr. Du Lizhu (chairman of the Audit Committee), Dr. Fan Xia and Mr. Chiang Edward.

The Audit Committee has considered and reviewed, with no disagreement with the management of the Company, the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2024 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim 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.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2024.

DEFINITIONS

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

"Audit Committee"	the audit committee of the Board
"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 Region of the People's Republic of China
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company, which is an independent third party
"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)
"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"	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
"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)
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Hou Zekuan"	Mr. Hou Zekuan (侯澤寬), an executive Director, the chairman of the Board and a Controlling Shareholder
"Mr. Hou Zebing"	Mr. Hou Zebing (侯澤兵), an executive Director, general manager (chief executive) and a Controlling Shareholder
"Prospectus"	the prospectus of the Company dated October 31, 2023
"Reporting Period"	the six months ended June 30, 2024
"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
August 21, 2024

As at the date of this announcement, the Board comprises Mr. Hou Zekuan as the chairman of the Board and an executive Director, Mr. Hou Zebing, Mr. Qian Xiaoxuan, Ms. Ma Li and Mr. Zhou Limin as executive Directors, Mr. Yu Chuanfen as non-executive Director, and Mr. Chiang Edward, Dr. Fan Xia and Mr. Du Lizhu as independent non-executive Directors.