福寿园
FU SHOU YUAN

Fu Shou Yuan International Group Limited
福壽園國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 01448

Global Offering

Sole Global Coordinator and Sole Sponsor

citi

Joint Bookrunners and Joint Lead Managers

citi UBS CIMB

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares :	500,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Public Offering Shares :	50,000,000 Shares (subject to adjustment)
Number of International Offering Shares :	450,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price :	HK$3.33 per Offer Share payable in full on application, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%
Nominal Value :	US$0.01 per Share
Stock Code :	1448

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus, together with copies of the Application Forms, has been filed with the Registrar of Companies in the Cayman Islands in accordance with the Companies Act of the Cayman Islands. The Securities and Futures Commission of Hong Kong, the Registrar of Companies in Hong Kong and the Registrar of Companies in the Cayman Islands take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Thursday, December 12, 2013 and, in any event, not later than Tuesday, December 17, 2013. The Offer Price will not be more than HK$3.33 and is currently expected to be not less than HK$2.88. If, for any reason, the Offer Price is not agreed by Tuesday, December 17, 2013 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on the Stock Exchange website (**www.hkexnews.hk**) and our Company website (**www.fsygroup.com**) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offering Shares" in this prospectus. If, for whatever reason, the Sole Global Coordinator (on behalf of the Underwriters) and we are unable to agree on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Public Offering Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to Qualified Institutional Buyers, or QIBs, in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

December 9, 2013

Latest time to complete electronic application under **White Form eIPO** service through the designated website **www.eipo.com.hk**[3] . . . . 11:30 a.m. on Thursday, December 12, 2013

Application lists open[2] . . . . 11:45 a.m. on Thursday, December 12, 2013

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Thursday, December 12, 2013

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Thursday, December 12, 2013

Latest time to complete electronic applications under **White Form eIPO** service by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Thursday, December 12, 2013

Application lists close . . . . 12:00 noon on Thursday, December 12, 2013

Expected Price Determination Date . . . . Thursday, December 12, 2013

(A) Announcement of:

- the offer price for the Offer Shares;
- an indication of the level of interest in the Hong Kong Public Offering;
- an indication of the level of interest in the International Offering; and
- the basis of allocation of the Hong Kong Public Offering Shares;

to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), the website of the Stock Exchange at **http://www.hkexnews.hk** and our website (**http://www.fsygroup.com**) (in both English and Chinese)[6] on or before . . . . Wednesday, December 18, 2013

(B) Results of allocations of the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Public Offering Shares — Publication of Results" in this prospectus) from . . . . Wednesday, December 18, 2013

A full announcement of the Public Offer containing (A) and (B) above to be published on our Company's website at **www.fsygroup.com**[6] and the website of the Stock Exchange at **www.hkexnews.hk** from	Wednesday, December 18, 2013
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk, with a "search by ID" function from	Wednesday, December 18, 2013
Dispatch of White Form e-Refund payment instructions and/or refund cheques (if applicable) on or before[5]	Wednesday, December 18, 2013
Dispatch of share certificates on or before[5]	Wednesday, December 18, 2013
Dealings in Shares on the Stock Exchange expected to commence on	Thursday, December 19, 2013

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on December 12, 2013, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Public Offering Shares — When to apply for the Hong Kong Public Offering Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists" in this prospectus.

(3) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) If you apply by giving electronic application instructions to HKSCC, you should refer to the section headed "How to Apply for Hong Kong Public Offering Shares — Applying by giving electronic applications to HKSCC via CCASS" in this prospectus.

(5) We will issue refund cheques to you if your application is wholly or partially unsuccessful. We will dispatch share certificates and refund cheques by ordinary post to you at your own risk to the address you specified in your Application Form unless you have elected for personal collection. If you have applied for 1,000,000 Hong Kong Public Offering Shares or more and you have indicated in your Application Form that you wish to collect refund cheques and/or Share certificates personally, you may collect refund cheques and/or share certificates from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on December 18, 2013 or any other place and date we announce in the newspapers as the place and date of dispatch of share certificates/e-Refund payment instructions/refund cheques. If you are an individual applicant and you have elected for personal collection, you may not authorize any other person to collect on your behalf. If you are a corporate applicant and you have elected for personal collection, you must attend by your authorized representative with your letter of authorization stamped with your corporate chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. If you fail to collect within the time specified for collection, we will dispatch uncollected share certificates and refund cheques by ordinary post at your own risk to the address specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Public Offering Shares — Despatch/collection of share certificates and refund monies" in this prospectus.

(6) The website, and all of the information contained on the website, does not form part of this prospectus.

Share certificates are expected to be issued on Wednesday, December 18, 2013 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at 8:00 a.m. on Thursday, December 19, 2013. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

You should read carefully the sections headed "Underwriting", "How to Apply for Hong Kong Public Offering Shares", and "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions.

IMPORTANT NOTE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offering Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Public Offering Shares offered by this prospectus pursuant to the Hong Kong Public Offering. No person may use this prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should reply only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters, any of their respective directors, agents, employees or advisors, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed ''Risk Factors'' in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We were the largest provider of death care services in the PRC in terms of revenue and geographical coverage in the years ended December 31, 2010, 2011 and 2012, according to Euromonitor. We were one of the first private company entrants into the PRC death care services industry when we began operating a cemetery in Shanghai in 1994. Through almost 20 years of growth in our operations and enhancement of the quality of our services, we have expanded our operations to provide premium death care services[(1)] in major cities in eight provinces of the PRC. We believe we have become a leader in the death care services industry and that our emphasis on the quality of our death care services have made us a benchmark of the industry that others seek to emulate. This is exemplified by our cooperation with certain PRC governmental entities to be the provider of training to other industry participants.

Our cemeteries are beautifully designed by professional landscape architects to be in harmony with natural surroundings and to reflect Chinese culture. Our cemeteries resemble parks and include lawns, ponds and groves of trees, providing a relaxing and tranquil environment for customers to pay their respects to friends or family members who have passed away. As part of the overall landscape, our cemeteries also feature ancient Chinese architectural styled facilities, such as pagodas and pavilions. We extend and increase the number of burial plots in our cemeteries in phases based on customer demand to ensure that the landscaping of our cemeteries continues to be in harmony with its natural surroundings and our cemeteries continuously appear as lush and well-planned parks.

Our burial services include a range of customization options, such as selecting the particular landscape for the burial plot and the style of the memorial to be used. The memorials we sell are designed and produced in-house by our professional designers and sculptors and are fully customizable, with options ranging from traditional memorials to customized life-sized sculptures. We believe that the combination of our beautifully landscaped cemeteries and our personalized and customized burial services has allowed us to demand a price premium for our burial services.

We offer a complete range of funeral services at our funeral facilities, from the initial planning of the funeral arrangements and interment, to the organization and hosting of the funeral, including the transportation of the deceased to the funeral facility, cosmetological services, keeping of vigils, performance of religious rituals and ceremonies, catering, and post-funeral services, such as consultation services with respect to cremation and burial.

(1) According to Euromonitor, premium death care services are generally recognized as those targeting premium consumer groups with relatively higher disposable income and are willing to spend significantly more on death care services for upscale services, higher quality products or well-known brands. Price ranges for premium death care services vary largely across different regions of the PRC, but are generally observed to be at least 100% more expensive than mass market death care services in each respective geographical region.

Our cemeteries and funeral facilities are strategically located in eight major cities in the PRC. We own and operate six cemeteries, with two cemeteries in Shanghai and one cemetery in each of Hefei in Anhui Province, Zhengzhou in Henan Province, Jinan in Shandong Province and Jinzhou in Liaoning Province. We operate five funeral facilities, with two funeral facilities in Chongqing and one funeral facility in each of Shanghai, Hefei in Anhui Province, and Xiamen in Fujian Province. We have established a company in Ningbo and are in the process of procuring a suitable site to establish a funeral facility in that locality.

We believe our brand, Fu Shou Yuan, is a leading death care services brand in the PRC and enjoys a strong level of brand recognition among consumers and members of the industry. We were named as a Top Ten Most Investment-Worthy Brand in Asia by the Global Times, the China Economic Herald and the Asia Brand Association in 2012. We believe our brand has become synonymous with the highest quality of service in the death care services industry in the PRC, representing beautifully landscaped and professionally run cemeteries and first-class funeral services. Many high profile and distinguished individuals in the PRC, including academics, artists and other public figures are buried in our cemeteries. Further, we were also the first company from the PRC to be admitted as a member of the International Cemetery and Funeral Association and the first non-governmental entity to hold a directorial position in the China Funeral Association, which we believe reflects our strong standing in the PRC death care services industry both in the PRC and internationally.

We experienced significant growth during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our revenue was RMB350.5 million, RMB421.4 million, RMB480.0 million and RMB306.7 million, respectively. Such growth was primarily due to (i) sales volume growth in our burial services driven by our acquisition of control of Shanghai Nanyuan in January 2013, our acquisition of Jinzhou Maoshan Anling in May 2012 and our increase in equity interest in Shandong FSY Development, which became our subsidiary in March 2011; and (ii) increases in prices of certain types of our burial plots at our cemeteries during the Track Record Period. For the same periods, we had profit and total comprehensive income of RMB113.7 million, RMB141.6 million, RMB138.2 million and RMB118.1 million, respectively.

Our overall gross profit margins for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were 80.7%, 81.6%, 80.5% and 80.4%, respectively. For the same periods, our net profit margins were 32.4%, 33.6%, 28.8% and 38.5%, respectively. For more details on our net profit margins, see "Financial Information — Certain Income Items — Review of Historical Operating Results." We enjoyed relatively high gross profit margins and net profit margins during the Track Record Period, primarily due to (i) the relatively high gross profit margins and net profit margins in the death care industry in the PRC; and (ii) our ability to provide premium and high-quality death care services. In addition, our strategy of acquiring low-cost land in providing our burial services also contributed to our high gross profits margins and net profit margins during the Track Record Period. Our land cost accounts for a relatively small proportion of our total cost of sales and services for our burial services and represented 4.0%, 5.9%, 10.2% and 9.0% of our total cost of sales and services for our burial services for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

OUR SERVICES

Since 1994, we have focused on the provision of premium death care services. Our burial and funeral services are described below.

Our Burial Services

We offer our customers a range of customized burial services in our cemeteries, which are categorized into customized, artistic, lawn, green, traditional and indoor burial services, and we generate revenue mainly from the sale of burial plots, which includes (i) the right to use the burial plots, (ii) tombstones, gravemarkers and other memorials to be used on burial plots, and (iii) other services such as the organization and conducting of burial rituals, and the design and landscaping of the burial plots. In addition, we also generate revenue from our cemetery maintenance services, which includes ongoing fees for maintaining burial plots and management fees for our cemeteries, and from the sale of other burial related products and services, such as design services, tombstone engraving, sculptures and flowers.

Our Funeral Services

We provide personalized and customized funeral services at each of our five funeral facilities and we generate revenue from planning, organizing and conducting funerals, including among others, the transportation of the deceased to the funeral facilities, cosmetological services, keeping of vigils, the performance of religious rituals and ceremonies, catering and post-funeral services. We sell our funeral services in funeral packages and offer our customers the ability to personalize the funeral arrangements through the value-added services we offer, such as video presentations on the life of the deceased, customized wreaths and flower arrangements and specially prepared decorations for display at the funeral.

OUR STRENGTHS

We believe we have the following competitive strengths:

- Leader in the death care services industry in the PRC
- Successful consolidator in a rapidly growing industry in the PRC
- Ability to satisfy our customers' needs through provision of professional and customized services
- Presence in strategic locations within certain major cities in the PRC
- Commitment to social responsibility and preservation of Chinese values and culture
- Dedicated, experienced and stable management team

OUR STRATEGIES

We intend to strengthen our position by implementing the following strategies:

- Continue to be a role model in the death care services industry by setting industry best practices and reinforcing Chinese tradition and cultural awareness through our services
- Increase our market share by extending the provision of death care services to other locations in the PRC
- Expand our range of service offerings to cater to evolving market demand
- Leverage our "Fu Shou Yuan" brand and leading market position and further expand through acquisition, collaboration and joint ventures

We aim to offer both funeral and burial services at locations in which we currently operate. To expand our services and increase our market share in and revenue from these localities, we intend to acquire, establish or collaborate with funeral service providers in Jinzhou, where we currently only provide burial services, and cemeteries in Chongqing and Xiamen where we currently only provide funeral services. We also intend to increase our market share and overall revenue by extending the provision of our death care services to other locations in the PRC where there is demand for premium death care services by leveraging our leading brand and extensive operational experience gained from operating our current business operations.

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to an investment in our Shares. We believe that the following are some of the major risks that may have a material adverse effect on our business, financial condition, results of operations and prospects: (i) we may not be able to sustain premium pricing for our death care service offerings, which may adversely affect our profit margins; and (ii) our business operations are subject to regulatory controls.

In addition, Chongqing FSY LLP, an LLP in our Group's corporate structure, was established under the laws of the PRC in 2010 to act as our PRC intermediate holding entity of our PRC operating subsidiaries. Chongqing FSY LLP has one general partner, Fumao, and two limited partners, FSY Hong Kong and Chongqing FSY Consultancy, all of which are wholly-owned subsidiaries of our Company. Under PRC laws, the general partner of a PRC LLP has unlimited liability for claims brought by the creditors (present or future) of the LLP. Thus, on account of the prospect of unlimited liability, Fumao could be exposed to the risk of significant liabilities pursuant to any enforcement proceedings by the creditors of Chongqing FSY LLP. See "Risk Factors — Risks Relating to Our Business — One of our subsidiaries, Fumao, which is the holding company for some of our subsidiaries in the PRC, could potentially be subject to unlimited liability on account of being a general partner of our subsidiary, Chongqing FSY LLP." and "History and Reorganization — B. Our PRC Intermediate Holding Companies — 1. Chongqing FSY LLP."

Further, the PRC Government, through a revised catalogue of permissible usage of allocated land, removed cemetery use from the permitted uses of allocated land after 2001. Allocated land is land that can be used without a definitive term or payment of land premium. A parcel of cemetery land used by Jinzhou Maoshan Anling is developed and operated on land which was initially allocated to Jinzhou Public Cemetery Administration Department, the minority shareholder of our operating vehicle, Jinzhou Maoshan Anling, by the government in 1992. In 2004, the Jinzhou Public Cemetery Administration Department injected the allocated land use right into Jinzhou Maoshan Anling. Accordingly, there can be no assurance that this land will not be deemed to have been developed on land allocated to us in 2004, which is not consistent with the revised catalogue of permissible usage of allocated land, and, if so, we may be asked to vacate the land. Our cemeteries and funeral facilities in Shanghai have also been developed and are operated on land which was allocated to us by the government. That land was allocated to us in 1994 and 1995 before the new land policies came into effect.

The laws and regulations on land use in the PRC are constantly evolving and we cannot predict the effect of future developments in the PRC legal system with respect to the use of allocated land. Any adverse change in the laws and regulations with respect to the use of allocated land, requiring us to either vacate or pay a land premium at current market values for the allocated land may materially and adversely affect our business, financial condition and results of operations. See "Risk Factors — Risk Relating to Our Business — Jinzhou Maoshan Anling and Shanghai Fu Shou Yuan were built on government allocated land and we may be required to pay land premium with respect to these cemeteries based on current market values if the current laws, rules and regulations of the PRC and the interpretation of related policies and practice concerning government allocated land change."

You should read the entire section headed "Risk Factors" in this prospectus before you decide to invest in the Offer Shares.

SUMMARY HISTORICAL FINANCIAL INFORMATION OF OUR GROUP

The following tables set forth our summary consolidated financial information for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013, and as at December 31, 2010, 2011 and 2012 and June 30, 2013, extracted from the Accountant's Report set out in Appendix I to this prospectus.

The results were prepared on the basis of presentation as set out in the Accountant's Report and the summary of the consolidated financial information should be read in conjunction with the consolidated financial information set out in the Accountant's Report, including the related notes, the text of which is set out in Appendix I to this prospectus.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	350,470	421,420	479,977	232,484	306,656
Cost of sales and services	(67,783)	(77,628)	(93,659)	(47,001)	(60,217)
Gross profit	282,687	343,792	386,318	185,483	246,439
Other income and gains, net	3,217	18,845	9,789	6,130	29,650
Distribution and selling expenses	(57,900)	(71,778)	(95,214)	(52,816)	(52,586)
Administrative expenses	(75,124)	(103,062)	(104,062)	(45,509)	(50,519)
Finance costs	(5,870)	(8,615)	(10,837)	(5,486)	(5,351)
Other expenses	—	—	—	—	(8,298)
Share of profits of associates	6,225	9,366	8,638	4,675	—
Profit before taxation	153,235	188,548	194,632	92,477	159,335
Income tax expense	(39,567)	(46,973)	(56,431)	(23,750)	(41,198)
Profit and total comprehensive income for the year/period	113,668	141,575	138,201	68,727	118,137
Total comprehensive income attributable to:					
Owners of the Company	104,253	130,692	124,270	63,654	99,595
Non-controlling interests	9,415	10,883	13,931	5,073	18,542
	113,668	141,575	138,201	68,727	118,137

Revenue

We generate revenue from the provision of death care services. We enter into contracts with our customers for the provision of burial services, which include sale of burial plots and cemetery maintenance services. Our sale of burial plots represents the sale of the rights to use those burial plots. Revenue from the sale of burial plots is recognized at the time of sale, while revenue from the provision of cemetery maintenance services is deferred and amortized on a straight-line basis over the remaining service period. Funeral service income is recognized when services are provided.

The following table sets out a breakdown of our revenue by segment for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Burial services	302,679	86.4%	367,555	87.2%	418,860	87.3%	199,392	85.8%	269,553	87.9%
Funeral services	47,791	13.6%	53,865	12.8%	61,117	12.7%	33,092	14.2%	37,103	12.1%
Total	**350,470**	**100.0%**	**421,420**	**100.0%**	**479,977**	**100.0%**	**232,484**	**100.0%**	**306,656**	**100.0%**

The following table sets forth a breakdown of our revenue by region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Shanghai	239,969	68.5%	273,592	64.9%	279,849	58.3%	136,739	58.8%	184,192	60.1%
Henan	23,450	6.7%	26,605	6.3%	29,507	6.1%	15,416	6.6%	17,097	5.6%
Chongqing	40,615	11.6%	39,505	9.4%	42,762	8.9%	24,344	10.5%	25,828	8.4%
Anhui	46,436	13.2%	57,559	13.7%	61,308	12.8%	30,549	13.1%	35,404	11.5%
Shandong(1)	—	—	24,159	5.7%	35,350	7.4%	17,415	7.5%	18,310	6.0%
Liaoning(2)	—	—	—	—	31,201	6.5%	8,021	3.5%	24,943	8.1%
Fujian(3)	—	—	—	—	—	—	—	—	882	0.3%
Total	**350,470**	**100.0%**	**421,420**	**100.0%**	**479,977**	**100.0%**	**232,484**	**100.0%**	**306,656**	**100.0%**

Notes:

(1) We increased our equity interest in Shandong FSY Development from 40% to 50% in March 2011 and it then became our subsidiary. Since then, its results of operations have been consolidated by us.

(2) We acquired Jinzhou Maoshan Anling in May 2012, and its results of operations have been consolidated by us since then.

(3) Xiamen Huaixiang commenced funeral services in February 2013.

The following table sets forth a breakdown of our revenue from burial services, including revenue from the sale of burial plots by type and revenue from cemetery maintenance services and others for the periods indicated.

	Year ended December 31,												Six months ended June 30,							
	2010				2011				2012				2012				2013			
	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services
		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000) (unaudited)	(%)		(RMB/ per unit)	(RMB'000)	(%)
Burial Services																				
Sale of burial plots																				
Customized.	513	171,979	88,225	29.1%	561	230,307	129,202	35.2%	544	259,770	141,315	33.7%	256	250,242	64,062	32.1%	313	249,051	77,953	28.9%
Artistic . .	1,412	63,946	90,292	29.8%	1,871	51,136	95,675	26.0%	1,228	89,602	110,031	26.3%	719	82,955	59,645	29.9%	1,134	76,315	86,541	32.1%
Traditional .	501	101,353	50,778	16.8%	653	93,482	61,044	16.6%	1,749	49,138	85,943	20.5%	537	61,778	33,175	16.6%	1,143	42,349	48,405	18.0%
Lawn . . .	1,107	29,312	32,448	10.7%	607	59,708	36,243	9.9%	731	48,873	35,726	8.5%	464	44,097	20,461	10.3%	359	57,769	20,739	7.7%
Green . . .	258	13,667	3,526	1.2%	273	10,103	2,758	0.8%	348	8,977	3,124	0.7%	213	7,700	1,640	0.8%	280	11,257	3,152	1.2%
Indoor . . .	250	15,436	3,859	1.3%	277	16,285	4,511	1.2%	189	25,175	4,758	1.1%	88	28,091	2,472	1.2%	230	22,665	5,213	1.9%
Other burial-related services	—	—	28,563	9.5%	—	—	31,601	8.5%	—	—	30,085	7.3%	—	—	13,681	7.0%	—	—	21,752	8.0%
	4,041		297,691	98.4%	4,242		361,034	98.2%	4,789		410,982	98.1%	2,277		195,136	97.9%	3,459		263,755	97.8%
Cemetery maintenance services . .	—	—	4,988	1.6%	—	—	6,521	1.8%	—	—	7,878	1.9%	—	—	4,256	2.1%	—	—	5,798	2.2%
Total	**4,041**	**—**	**302,679**	**100.0%**	**4,242**	**—**	**367,555**	**100.0%**	**4,789**	**—**	**418,860**	**100.0%**	**2,277**	**—**	**199,392**	**100.0%**	**3,459**	**—**	**269,553**	**100.0%**

Summary Consolidated Statements of Financial Position

	At December 31,			As of June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	335,867	471,538	586,635	684,340
Current assets	286,556	373,962	448,587	546,622
Current liabilities	(215,471)	(325,306)	(409,177)	(501,211)
Net current assets	71,085	48,656	39,410	45,411
Total assets less current liabilities	406,952	520,194	626,045	729,751
Non-current liabilities	(135,526)	(239,546)	(245,043)	(216,004)
Net assets	**271,426**	**280,648**	**381,002**	**513,747**
Capital and reserves				
Paid-in/additional paid-in/issued share capital	35,000	—	—	—
Reserves	181,908	204,537	243,087	344,633
Equity attributable to owners of the Company	216,908	204,537	243,087	344,633
Non-controlling interests	54,518	76,111	137,915	169,114
Total equity	**271,426**	**280,648**	**381,002**	**513,747**

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash generated from operating activities	172,880	149,003	177,403	89,887	58,814
Net cash generated from/(used in) investing activities	23,087	(24,708)	(13,563)	(112,220)	(6,082)
Net cash (used in)/generated from financing activities	(138,071)	(63,565)	(98,878)	15,010	(31,836)
Net increase/(decrease) in cash and cash equivalents	57,896	60,730	64,962	(7,323)	20,896
Cash and cash equivalents at beginning of the year	103,272	161,168	221,898	221,898	286,860
Cash and cash equivalents at end of the year	161,168	221,898	286,860	214,575	307,756

KEY FINANCIAL RATIOS

The following table sets out our gross profit margins, net profit margins, return on equity, return on total assets, current ratios, gearing ratios and interest coverage ratios as of the dates indicated below:

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013
Gross Profit Margin	80.7%	81.6%	80.5%	80.4%
Net Profit Margin	32.4%	33.6%	28.8%	38.5%
Return on Equity	48.1%	63.9%	51.1%	58.3%[1]
Return on Total Assets	18.3%	16.7%	13.3%	19.4%[2]

Notes:

(1) Return on equity for the six months ended June 30, 2013 has been calculated by dividing total comprehensive income attributable to owners of the company for the period by shareholders' equity, multiplying by 365/181, and then multiplying the resulting value by 100%.

(2) Return on total assets for the six months ended June 30, 2013 has been calculated by dividing profit and total comprehensive income for the period by total assets, multiplying by 365/181, and then multiplying the resulting value by 100%.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
Current Ratio	1.3	1.1	1.1	1.1
Gearing Ratio	12.5%	16.7%	14.3%	11.3%
Interest Coverage Ratio	27.1	22.9	19.0	30.8

Settlement and Cash and Treasury Management

Our customers may settle their accounts for our services by way of cash, bank transfers or credit cards, although nearly all customer accounts for our death care services are settled in cash or via bank transfer. All our services are either paid for in full before or immediately after our services are rendered and we do not offer any credit terms to our customers.

We assign duty managers and certain sales personnel to be responsible for ensuring that each day's sales in cash have been properly deposited in a safe located at our cemeteries and funeral facilities after the close of business each day and a designated manager from our finance department will deliver these cash receipts to the bank for deposit whenever they have reached a predetermined amount. For bank transfers, we have dedicated personnel in our finance department to monitor the receipt of funds to ensure that our funeral and burial operations personnel only purchase the necessary construction materials and begin work after our customers have made full payment for our services. To safeguard against the risk of insider fraud or misappropriation of cash by our employees, we have enhanced our cash management system to provide for, among other things, authorization and approval of movements in cash, control over cash deposits and capital management. See "Business — Settlement and Cash Management."

Our finance department has the responsibility to review the Group's treasury position and it oversees the day-to-day management of the Group's working capital and funding activities and prepares forecasts of cash receipts, disbursements and expected closing balances. These projections are carried forward and used as a tool for ensuring that any borrowings for operating needs are executed. See "Business — Treasury Management."

RECENT DEVELOPMENTS

Ningbo Yongyi was established as a limited liability company under the laws of the PRC on January 9, 2013 by Zhang Cheng (張成), an employee of our Group, and Li Xingyu (李杏雨), an independent third party. Ningbo Yongyi was established with a registered capital of RMB1 million and held as to 50% by Zhang Cheng and 50% by Li Xingyu. Ningbo Yongyi is principally engaged in the provision of funeral services. On January 28, 2013, Shanghai FSY Industry Development, Zhang Cheng (張成) and Li Xingyu (李杏雨) entered into an equity transfer agreement pursuant to which each of Zhang Cheng and Li Xingyu agreed to transfer a 40% equity interest in Ningbo Yongyi to Shanghai FSY Industry Development for a consideration of RMB0.4 million and RMB0.4 million, respectively. The consideration was determined based on Ningbo Yongyi's registered share capital. Following this equity transfer, Ningbo Yongyi became 80% owned by Shanghai FSY Industry Development, and an indirect non wholly-owned subsidiary of our Company.

On January 4, 2013, Shanghai FSY Industry Development, a wholly-owned subsidiary of our Company, entered into an agreement with all other equity holders of Shanghai Nanyuan, a 40%-owned associate of the Group, that all other equity holders of Shanghai Nanyuan assigned irrecoverable rights to Shanghai FSY Industry Development to direct the relevant activities of Shanghai Nanyuan unilaterally. As such, Shanghai Nanyuan became an indirectly 40%-owned subsidiary of the Company.

As far as we are aware, there have not been any material changes in the general economic and market conditions in the PRC or the industry in which we operate that has materially and adversely affected our business operations or financial condition, since June 30, 2013 and up to the date of this prospectus.

DIVIDEND DISTRIBUTION PRIOR TO THE LISTING

Subject to the Companies Law, through a general meeting, we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve of our Company lawfully available for distribution including share premium.

We have declared dividends to our original shareholders from our net distributable profits for the prior years and the fiscal year ended December 31, 2012 in the amount of RMB104.5 million and from our net distributable profit for the six months ended June 30, 2013 in the amount of RMB55.0 million. Investors in the Global Offering and persons becoming Shareholders after the Listing will not be entitled to the aforementioned dividend. We also intend to distribute to our shareholders no less than 25% of our net distributable profit for the year ending December 31, 2014 and for each fiscal year thereafter. However, we will re-evaluate our dividend policy annually.

PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Listing as if the Listing had taken place on June 30, 2013.

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as at June 30, 2013(1)(5)(6)	Estimated net proceeds from the Global Offering(2)	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company	Pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$(4)
Based on Offer Price of HK$2.88 per Share	302,813	1,068,626	1,371,439	0.69	0.87
Based on Offer Price of HK$3.33 per Share	302,813	1,241,283	1,544,096	0.77	0.98

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of our Company as at June 30, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2013 of approximately RMB345 million less the intangible assets and goodwill of the Group as of June 30, 2013 of approximately RMB42 million.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$2.88 per Offer Share and HK$3.33 per Offer Share, being the lower end and upper end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately HK$11 million listing-related expense which has been accounted for prior to June 30, 2013) payable by the Company in connection with the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the rate of HK$1.00 to RMB0.7911. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is calculated based on 2,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be allotted and issued upon the exercise of any options that have been granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or any Shares that may be issued or repurchase pursuant to the Company's general mandate.

(4) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is converted from Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.7911. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) As of September 30, 2013, our Group's property interests were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, and the related property valuation report is set out in Appendix III to this prospectus. The net valuation surplus of approximately RMB137 million, which represents the excess of market value over the carrying amount of our Group's property interests as at September 30, 2013, has not been included in the above consolidated net tangible assets of the Group attributable to owners of our Company as at June 30, 2013. The valuation surplus will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual amortization charge of approximately RMB3 million would be incurred.

(6) No adjustment has been made to the audited consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2013 to reflect any trading result or other transaction of our Group entered into subsequent to June 30, 2013. No adjustment has been made to reflect the declaration of dividends in aggregate amount of RMB55 million on December 3, 2013.

THE GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 50,000,000 Shares, or Hong Kong Public Offering Shares, for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and
- the offering of initially 450,000,000 Shares, or International Offering Shares, by us outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the US Securities Act, referred to in this prospectus as the International Offering.

The number of Hong Kong Public Offering Shares and International Offering Shares, or together, Offer Shares, is subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering".

GLOBAL OFFERING STATISTICS[(1)]

	Based on Offer Price of HK$2.88	**Based on Offer Price of HK$3.33**
Market capitalization of our Shares[(2)]	HK$5,760 million	HK$6,660 million
Adjusted net tangible asset value per Share[(3)]	HK$0.87	HK$0.98

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering and the Capitalization Issue.

(3) The adjusted net tangible asset value per Share is based on 2,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering and the Capitalization Issue.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.88 and HK$3.33, respectively, the adjusted net tangible asset value per Share will be HK$0.94 per Share and HK$1.06 per Share, respectively.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,460 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming the Over-allotment Option is not exercised and an Offer Price of HK$3.105 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 52% or HK$759 million will be used to develop new cemeteries as follows:
    - — approximately 4% or HK$58 million will be used to acquire a plot of land in connection with construction of Phase I of the planned Nanchang Hongfu Cultural Memorial Park, where we intend to offer burial services. We are targeting completion of the construction in the second half in 2014;
    - — approximately 48% or HK$701 million will be used to acquire land for the construction of cemeteries at locations in major cities of other provinces in the PRC, where we intend to offer burial services;
- approximately 15% or HK$219 million will be used to set up new funeral facilities in major cities of other provinces in the PRC;
- approximately 3% or HK$44 million will be used to expand the coverage of our sales network such as increase the size of our sales team, increase the number of our customer service centers in the PRC and upgrade our Group's information technology system;
- approximately 20% or HK$292 million will be used for mergers with and acquisitions of other cemeteries and/or funeral facilities in the PRC; and
- approximately 10% or HK$146 million will be used for working capital and other general corporate purposes.

In the event that the Offer Price per Offer Share is not finally determined to be HK$3.105, the amount of proceeds for each use set out above will be increased or reduced, as the case may be, on a pro-rata basis.

In the event that the Over-allotment Option is exercised in full, we estimate we will receive additional net proceeds of approximately HK$226 million, assuming an Offer Price of HK$3.105 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use the additional net proceeds for mergers and acquisitions of other cemeteries and/or funeral facilities in the PRC.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank financing.

LISTING EXPENSES

The total amount of listing expenses, commissions together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately RMB81.5 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately RMB52.5 million is expected to be capitalized after the Listing. The remaining approximately RMB29.0 million fees and expenses was or is expected to be charged to our profit and loss accounts, of which RMB8.3 million were charged for the period ended June 30, 2013.

In this prospectus, the following expressions shall have the meanings set out below unless the context otherwise requires.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Anhe"	Anhui Anhe Investment Consultancy Co., Ltd.* (安徽安合投資諮詢有限公司), a company established in the PRC on February 20, 1998 and owned by the beneficial shareholders of FSG Holding, details of which are set out in "History and Reorganization — D. Our Shareholders — Our Shareholders prior to reorganization — 3. FSG Holding" of this prospectus
"Anhui Zhongfude"	Anhui Province Zhongfude Power Saving Environmental Friendly Technology Company Limited* (安徽省中福德節能環保科技有限公司), a company established in the PRC on November 20, 2012, owned 80% by Chongqing FSY Corporate Management Consultancy and 20% by Shanghai FSY Corporate Management Consultancy. It is an indirect wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) relating to the Hong Kong Public Offering or, where the context so requires, any of them
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on December 3, 2013 (as amended, supplemented or otherwise modified from time to time)
"Asia Today"	Asia Today International Limited, a limited liability company incorporated in BVI on November 22, 2005, and wholly-owned by Zhao Yueming (趙越明), one of the Group Direct Individual Shareholders
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bang Fu"	Bang Fu Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Zhang Bin (張斌), one of the Group Direct Individual Shareholders
"Board"	the board of Directors
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong

"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as further described in the paragraph headed "Further information about our Group — Written resolutions of our Shareholders" in Appendix V to this prospectus
"CASW"	China Association of Social Workers* (中國社會工作協會), a non-profit social organization established in the PRC in July 1991 and registered with and administered by MCA
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Chief Union"	Chief Union Investments Limited, a limited liability company incorporated in BVI on October 28, 2011, one of our Controlling Shareholders and a direct wholly-owned subsidiary of Fulechuan
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China Philanthropy Times"	China Philanthropy Times Newspaper Offices (《公益時報》社), a non-profit making organization established in the PRC and registered as an enterprise owned by the people in the legal form on February 28, 2001 and administered by MCA
"Chongqing Anle Funeral Services"	Chongqing Anle Funeral Services Co., Ltd.* (重慶安樂殯儀服務有限公司), a company established in the PRC on January 23, 2003, owned 80% by Shanghai FSY Corporate Management Consultancy and 20% by Chongqing Anle Services. It is an indirect wholly-owned subsidiary of our Company

"Chongqing Anle Services"	Chongqing Anle Services Co., Ltd.* (重慶安樂服務有限公司), a company established in the PRC on September 11, 1997, owned as to 90% by Shanghai FSY Industry Development and 10% by Fumao. It is an indirect wholly-owned subsidiary of our Company
"Chongqing FSY Consultancy"	Chongqing Fu Shou Yuan Corporate Management Consultancy Co., Ltd.* (重慶福壽園企業管理諮詢有限公司), a company established in the PRC on August 9, 2010. It is an indirect wholly-owned subsidiary of our Company
"Chongqing FSY Industrial"	Chongqing Fu Shou Yuan Industrial Co., Ltd.* (重慶福壽園實業有限公司), a company established in the PRC on January 18, 2011. It is an indirect wholly-owned subsidiary of our Company
"Chongqing FSY LLP"	Chongqing Fu Shou Yuan Shareholding Investment Corporation (Limited Partnership)* (重慶福壽園股權投資企業(有限合夥)), a limited partnership established in the PRC on November 10, 2010. It is an indirect wholly-owned subsidiary of our Company
"Chongqing Fuyuan"	Chongqing Fuyuan Corporate Management Consultancy Co., Ltd.* (重慶福元企業管理諮詢有限公司), a company established in the PRC on January 20, 2012. It is an indirect wholly-owned subsidiary of our Company
"CIMB"	CIMB Securities Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Citi"	Citigroup Global Markets Asia Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
"Companies Law"	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Company", "our Company", "we" or "us"	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on January 5, 2012
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to FSG Holding, Chief Union, Fulechuan, Zhongfu, Hongfu, NGO 1 and NGO 2 and "Controlling Shareholder" means any one of them
"Director(s)"	the director(s) of our Company
"Double Riches"	Double Riches Investments Limited, a limited liability company incorporated in the BVI on October 28, 2011. It is one of our Shareholders and wholly-owned by the Group Indirect Individual Shareholders
"Euromonitor"	Euromonitor International Limited, a global research organization and provider of international market intelligence
"Faithful Hope"	Faithful Hope Limited, a limited liability company incorporated in BVI on August 3, 2007, which was initially owned as to 30% by Zhao Yu, our joint company secretary, and 70% by Zhao Zhichao (趙智超), a relative of Zhao Yu. On September 28, 2013, it became a wholly-owned company of Zhao Zhichao
"FSG Holding"	FSG Holding Corporation, a company incorporated in BVI on December 6, 2011 and one of our Controlling Shareholders. FSG Holding is held as to 28.15% by Pacific Millennium Investment Corporation, 22.22% by SChase International Limited, 20% by Fast Answer Limited, 11.11% by Cheng I Chen (鄭毅誠), and the remaining 18.52% by six individual shareholders. None of the six individuals holds more than 10% interest in FSG Holding. Mr. Tan Tize Shune (談智雋) (also known as "Tan Chih Chun"), the father of Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan Chih Chun is interested in an aggregate of 48.15% of the issued share capital of FSG Holding
"FSY Hong Kong"	Fu Shou Yuan Group (Hong Kong) Limited (福壽園集團(香港)有限公司), a limited liability company incorporated in Hong Kong on October 10, 2011. It is a direct wholly-owned subsidiary of our Company

"Fulechuan"	Fulechuan International Group Co., Ltd. (福利川國際集團有限公司*), a company registered in Thailand on October 19, 2010. It is the sole shareholder of Chief Union and one of our Controlling Shareholders
"Fumao"	Fumao Corporate Management Consultancy (Shanghai) Company Limited* (福迦企業管理諮詢(上海)有限公司), a company established in the PRC on January 27, 2011. It is an indirect wholly-owned subsidiary of our Company
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Grand Fire"	Grand Fire Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Lu Hesheng (陸鶴生), our non-executive Director and one of the Group Direct Individual Shareholders
"**GREEN** application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant point of time (including where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company)
"Group Direct Individual Shareholders"	comprise 11 individuals, namely, Woo Tsun Hung, Jonathan (鄔駿鴻), Bai Xiaojiang (白曉江) (brother of Pak Hiu So), Qu Ping (曲平), Zhang Bin (張斌), Pak Hiu So (白曉蘇) (brother of Bai Xiaojiang), Lu Hesheng (陸鶴生), Wang Jisheng (王計生), Wu Pui Ngai (胡培毅), Zhao Yueming (趙越明), Zhao Zhichao (趙智超) and Zhao Yu (趙宇), who hold direct interests in our Company through their respective wholly-owned companies incorporated in the BVI
"Group Indirect Individual Shareholders"	comprise 10 individuals, namely, Ge Qiansong (葛千松), Tan Li Kang (談理康), Yi Hua (伊華), Wu Yibo (鄔亦波), Wang Qiong (王瓊), Le Jiasheng (樂嘉盛), Wu Jianzhong (吳建中), Xu Yong (徐勇), Zhou Chen (周晨) and Zhang Shiyao (章時耀), who hold indirect interests in our Company through Double Riches, each of them being either an existing employee of our Group or a person who had otherwise made contributions to our Group

"Group Individual Shareholders"	comprise 20 individuals namely, Ge Qiansong (葛千松), Tan Li Kang (談理康), Yi Hua (伊華), Bai Xiaojiang (白曉江), Lu Hesheng (陸鶴生), Wang Jisheng (王計生), Zhao Yu (趙宇), Woo Tsun Hung, Jonathan (鄔駿鴻), Qu Ping (曲平), Zhang Bin (張斌), Pak Hiu So (白曉蘇), Wu Pui Ngai (胡培毅), Zhao Yueming (趙越明), Wu Yibo (鄔亦波), Wang Qiong (王瓊), Le Jiasheng (樂嘉盛), Wu Jianzhong (吳建中), Xu Yong (徐勇), Zhou Chen (周晨) and Zhang Shiyao (章時耀), who hold beneficial interests in our Group, each of them being either a past or existing employee of our Group or a person who had otherwise made contributions to our Group
"Hefei Dashushan Co"	Hefei Dashushan Culture Cemetery Co., Ltd.* (合肥大蜀山文化陵園有限公司), a company established in the PRC on February 22, 2002, owned as to 40% by Chongqing FSY Industrial, 40% by Hefei Shushan Martyr Cemetery Management Department* (合肥蜀山烈士陵園管理處), and 20% by Shanghai FSY Industry Development. It is an indirect non wholly-owned subsidiary of our Company
"Hefei Huazhijian"	Hefei Huazhijian Flowers Co., Ltd.* (合肥花之間花卉有限公司), a company established in the PRC on May 13, 2010. It is an indirect non wholly-owned subsidiary of our Company
"Hefei Renben"	Hefei Renben Funeral Arrangement Services Co., Ltd.* (合肥人本禮儀服務有限公司), formerly known as Hefei Renben Funeral Services Company Limited* (合肥人本殯儀服務有限公司), a company established in the PRC on September 27, 2008. It is an indirect non wholly-owned subsidiary of our Company
"Henan FSY Industrial"	Henan Fu Shou Yuan Industrial Co., Ltd.* (河南福壽園實業有限公司), formerly known as Henan Zhongzhou Minrenyuan Development Management Co., Ltd.* (河南中州名人園開發管理有限公司), a company established in the PRC on July 7, 2003. It is an indirect wholly-owned subsidiary of our Company
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Public Offering Shares to the public in Hong Kong (subject to adjustment as described in the section "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Public Offering Shares"	the 50,000,000 new Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" of this prospectus) being offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters listed in the paragraph "Underwriters — Hong Kong Underwriters" under the section "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 6, 2013 relating to the Hong Kong Public Offering and entered into by our Company, FSG Holding, Chief Union, Bai Xiaojiang (白曉江), Wang Jisheng (王計生), the Sole Global Coordinator and the Joint Bookrunners, the Hong Kong Underwriters, as further described in the paragraph "Hong Kong Public Offering" under the section "Underwriting" in this prospectus
"Hongfu"	Shanghai Hongfu Investment Development Co., Ltd.* (上海鴻福投資發展有限公司), a limited liability company established in the PRC on November 28, 2000 and owned as to 50% by NGO 1 and 50% by NGO 2, one of our Controlling Shareholders
"IFRS"	International Financial Reporting Standards
"independent third party(ies)"	individual(s) or company(ies) who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
"Initial Group Individual Shareholders"	comprise nine individuals, namely, Ge Qiansong (葛千松), Tan Li Kang (談理康), Yi Hua (伊華), Tan Richard Lipin (談理平), Lin Hung Ming (林宏銘) (also known as Lin Hon Min), Tan Leon Li-an (談理安), Bai Xiaojiang (白曉江), Lu Hesheng (陸鶴生) and Wang Jisheng (王計生), each of them being a past or existing Director or a member of senior management of our Group

"International Offering"	the conditional placing by the International Underwriters of the International Offering Shares at the Offer Price outside the United States in accordance with Regulation S, and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration requirement of the U.S. Securities Act, as further described in the section "Structure of the Global Offering" in this prospectus
"International Offering Shares"	the 450,000,000 new Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the conditional placing agreement relating to the International Offering and to be entered into on or about the Price Determination Date by our Company, FSG Holding, Chief Union, Bai Xiaojiang (白曉江), Wang Jisheng (王計生), the Sole Global Coordinator and the Joint Bookrunners, the International Underwriters, as further described in "Structure of the Global Offering — The International Offering" in this prospectus
"Jinzhou Maoshan Anling"	Jinzhou City Maoshan Anling Co., Ltd.* (錦州市帽山安陵有限責任公司), a company established in the PRC on January 7, 2004. It is an indirect wholly-owned subsidiary of our Company
"Joint Bookrunners" or "Joint Lead Managers"	Citi (in respect of the Hong Kong Public Offering), Citigroup Global Markets Limited (in respect of the International Offering), UBS and CIMB
"Latest Practicable Date"	December 2, 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Thursday, December 19, 2013, on which dealings in the Shares first commence 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)

"LLP"	limited liability partnership
"MCA"	Ministry of Civil Affairs of the PRC (中華人民共和國民政部)
"Mobile Wish"	Mobile Wish Limited, a limited liability company incorporated in BVI on July 2, 2013 and wholly-owned by Pak Hiu So (白曉蘇), one of the Group Direct Individual Shareholders
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nanchang Hongfu"	Nanchang Hongfu Humanities Memorial Co., Ltd.* (南昌洪福人文紀念有限責任公司), a company established in the PRC on November 17, 2009, and owned as to 50.89% by Shanghai FSY Industry Development, 40% by Nanchang City Public Investment Holdings Co., Ltd.* (南昌市政公用投資控股有限責任公司) and 9.11% by Burial Management Department of Nanchang City* (南昌市殯葬管理處). It is an indirect non-wholly owned subsidiary of our Company
"NGO 1"	Shanghai Zhongmin Elderly Affairs Development Service Centre* (上海中民老齡事業開發服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on facility developments, and one of our Controlling Shareholders
"NGO 2"	Shanghai Zhongmin Elderly Affairs Consultancy Service Centre* (上海中民老齡事業諮詢服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Qingpu Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on advisory services, and one of our Controlling Shareholders
"Ningbo Yongyi"	Ningbo Yongyi Funeral Services Company Limited* (寧波永逸殯葬禮儀服務有限公司), a company incorporated in the PRC on January 9, 2013, and owned as to 80% by Shanghai FSY Industry Development, 10% by Zhang Cheng (張成), an employee of our Group, and 10% by Li Xingyu (李杏雨), an independent third party. It is an indirect non wholly-owned subsidiary of our Company

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which the Hong Kong Public Offering Shares are to be subscribed under the Hong Kong Public Offering, and at which the International Offering Shares are to be offered under the International Offering, to be determined as described in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Public Offering Shares and the International Offering Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters under the International Underwriting Agreement, to require our Company to allot and issue up to 75,000,000 additional Shares at the Offer Price, to, among others, cover over-allocations in the International Offering, if any
"Peaceful Field"	Peaceful Field Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Wang Jisheng (王計生), our executive Director and one of the Group Direct Individual Shareholders
"PRC GAAP"	accounting principles generally accepted in the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on March 10, 2013, the principal terms of which are summarized in the section headed "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix V to this prospectus
"Price Determination Date"	on or about Thursday, December 12, 2013 (Hong Kong time) at which time the Offer Price is determined, or such later time as our Company and the Sole Global Coordinator (on behalf of the Underwriters) may agree, but in any event not later than Tuesday, December 17, 2013
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act

"Real Path"	Real Path Limited, a limited liability company incorporated in BVI on July 2, 2013 and wholly-owned by Zhao Yu (趙宇), our joint company secretary, and one of the Group Direct Individual Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of the companies now comprising our Group in preparation for the Listing, details of which are set out in "History and Reorganization" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Shandong FSY Development"	Shandong Fu Shou Yuan Development Co., Ltd.* (山東福壽園發展有限公司), a company established in the PRC on December 29, 2001, and owned as to 50% by Chongqing FSY Industrial and 50% by Shandong World Trade Center* (山東世界貿易中心), an independent third party. It is an indirect non wholly-owned subsidiary of our Company
"Shanghai FSY Corporate Management Consultancy"	Shanghai Fu Shou Yuan Corporate Management Consultancy Co., Ltd.* (上海福壽園企業管理諮詢有限公司), a company established in the PRC on September 9, 2002, and owned as to 90% by Fumao and 10% by Shanghai FSY Funeral Arrangement Services. It is an indirect wholly-owned subsidiary of our Company

"Shanghai FSY Funeral Arrangement Services"	Shanghai Fu Shou Yuan Funeral Arrangement Services Co., Ltd.* (上海福壽園禮儀服務有限公司), a company established in the PRC on May 17, 2011. It is an indirect wholly-owned subsidiary of our Company
"Shanghai FSY Industry Development"	Shanghai Fu Shou Yuan Industry Development Co., Ltd.* (上海福壽園實業發展有限公司), a company established in the PRC on February 21, 1994. It is an indirect wholly-owned subsidiary or our Company
"Shanghai Nanyuan"	Shanghai Nanyuan Industrial Development Co., Ltd.* (上海南院實業發展有限公司), a company established in the PRC on January 25, 2007, and owned as to 40% by Shanghai FSY Industry Development, 40% by Shanghai Lingang College Economic Development Co., Ltd.* (上海臨港書院經濟發展有限公司), and 20% by Shanghai Agricultural Industrial and Commercial Group East Ocean Company* (上海農工商集團東海總公司). It is an indirect non wholly-owned subsidiary of our Company
"Shanghai Senfu"	Shanghai Senfu Fruits and Vegetables Technological Development Co., Ltd.* (上海森福蔬果科技發展有限公司), a company established in the PRC on July 2, 2013. It is a non wholly-owned subsidiary of our Company
"Shanghai Zhongdefu"	Shanghai Zhongdefu Power Saving Environmental Friendly Technology Co., Ltd.* (上海中德福節能環保科技有限公司), a company established in the PRC on March 21, 2013. It is a wholly-owned subsidiary of our Company
"Shanghai Zhongfu"	Shanghai Zhongfu International Trade Co., Ltd.* (上海眾福國際貿易有限公司), a company established in the PRC. It was a wholly-owned subsidiary of Zhongfu
"Shanghai Zhongfu Real Estate"	Shanghai Zhongfu Real Estate Development Ltd.* (上海中福房地產發展公司), a company established in the PRC. It is a wholly-owned subsidiary of Zhongfu
"Share(s)"	ordinary share(s) with nominal value of US$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on December 3, 2013, the principal terms of which are summarized in "Statutory and General Information — Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)

"Sole Global Coordinator" or "Sole Sponsor"	Citi
"Spinning Seed"	Spinning Seed Limited, a limited liability company incorporated in BVI on July 2, 2013 and wholly-owned by Woo Tsun Hung, Jonathan (鄔駿鴻), one of the Group Direct Individual Shareholders
"sq.m."	square meters
"Stelle Land"	Stelle Land Limited, a limited liability company incorporated in BVI on June 28, 2013 and wholly-owned by Wu Pui Ngai (胡培毅), one of the Group Direct Individual Shareholders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchases (as amended, supplemented or otherwise modified from time to time)
"Track Record Period"	the three years ended December 31, 2012 and the six months ended June 30, 2013
"Treasure Bridge"	Treasure Bridge Investments Limited, a limited liability company incorporated in BVI on October 28, 2011
"Twirling Ball"	Twirling Ball Limited, a limited liability company incorporated in BVI on July 2, 2013 and wholly-owned by Qu Ping (曲平), one of the Group Direct Individual Shareholders
"UBS"	UBS AG, Hong Kong Branch, a registered institution under the SFO for Type 1 (dealing in securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"WFOE"	wholly foreign-owned enterprise within the meaning prescribed under PRC laws
"**White Form eIPO**"	the application for Hong Kong Public Offering Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wish and Catch"	Wish and Catch Limited, a limited liability company incorporated in BVI on June 28, 2013, wholly-owned by Bai Xiaojiang (白曉江), our chairman, one of our executive Directors and one of the Group Direct Individual Shareholders
"Xiamen Huaixiang"	Xiamen Huaixiang Funeral Arrangement Services Co., Ltd.* (廈門懷祥禮儀服務有限公司), a company established in the PRC on December 31, 2012, owned as to 90% by Shanghai FSY Corporate Management Consultancy and 10% by Xiamen City Funeral Services Centre* (廈門市殯儀服務中心), an independent third party. It is an indirect non wholly-owned subsidiary of our Company
"Zhengzhou Longhu"	Zhengzhou Longhu Plants and Flowers Co., Ltd.* (鄭州龍湖苗木花卉有限公司), a company established in the PRC on October 27, 2005. It was an indirect wholly-owned subsidiary of our Company before it was liquidated and deregistered on September 13, 2013
"Zhongfu"	China Zhongfu Industrial Co., Ltd.* (中國中福實業有限公司), formerly known as China Zhongfu Industrial Corporation (中國中福實業總公司), a limited liability company established in the PRC on July 15, 1985 and directly wholly-owned by Hongfu, and one of our Controlling Shareholders

The terms "associate", "connected person", "connected transaction" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities marked with an asterisk (*) included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

The Chinese names of some of the companies incorporated outside the PRC marked with an asterisk (*) included in this prospectus are translations of their English names and are included for identification purposes only.

This glossary contains definitions of certain terms used in this prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

"burial plot"	a piece of land within a cemetery where remains/cremains are buried
"columbarium"	a place for the storage of urns holding a deceased's cremated remains
"cremains"	the ashes of a cremated corpse
"cremation"	the use of high-temperature burning, vaporization, and oxidation to reduce human bodies to basic chemical compounds, such as gases and mineral fragments retaining the appearance of dry bone
"cremation niche"	a space in a columbarium or other indoor areas where the urn containing the cremated remains is placed
"crematorium"	a facility which houses cremation machines and where human remains are brought to be cremated
"Fengshui"	the Chinese art of determining the design and positioning of objects, such as graves and buildings, which is believed to bring good fortune
"funeral facility"	a venue operated by private companies, where funeral rituals and ceremonies are performed and where the dead are prepared for burial or cremation
"funeral parlor"	a venue operated by PRC Government entities, which typically contains cremation facilities, where funeral rituals and ceremonies are performed and where the dead are prepared for burial or cremation
"green burial"	a space-saving and environmentally friendly method of burial, typically involving interring cremains into walls or burying remains under trees and flower beds
"interment"	burial
"mortality rate"	the amount of deaths in a given population during a given period of time which is commonly expressed in deaths out of 1,000 individuals
"memorial"	a marker bearing the deceased's name, date of birth, date of death and other words or messages that is placed over the grave
"urn"	a vessel for ashes or cremains of a deceased person

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that all of our business is located in the PRC and we are governed by a legal and regulatory environment, which may differ in some respects from that which prevails in other jurisdictions. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem immaterial, could also harm our business, financial condition, results of operations and prospects. The trading price of our Shares could decline due to any of these risks and uncertainties and you may lose all or part of your investment.

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to the death care services industry in the PRC; (iii) risks relating to the PRC and (iv) risks relating to the Shares and the Global Offering. Prospective investors in the Shares should consider carefully all the information set forth in this prospectus and, in particular, this section in connection with an investment in us.

RISKS RELATING TO OUR BUSINESS

We may not be able to sustain premium pricing for our death care service offerings, which may adversely affect our profit margins.

We are focused on providing premium death care services and demand a higher price for our services compared to other death care services providers in the areas in which we operate. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our gross profit margin was 80.7%, 81.6%, 80.5% and 80.4%. However, the death care services market is increasingly competitive and we may not be able to sustain our premium pricing. We face competition from cemeteries and funeral facilities that are operated by both private companies and governmental entities in the markets in which we operate. Competition affects the prices we are able to charge for our services and there can be no assurance that we will not face increasing competition in the future. If we are forced to reduce our prices due to competition, or for other reasons, it may have a material adverse effect on our business, results of operations, financial condition and prospects.

Jinzhou Maoshan Anling and Shanghai Fu Shou Yuan were built on government allocated land and we may be required to pay land premium with respect to these cemeteries based on current market values if the current laws, rules and regulations of the PRC and the interpretation of related policies and practice concerning government allocated land change.

The PRC Government, through a revised catalogue of permissible usage of allocated land, removed cemetery use from the permitted uses of allocated land after 2001. Allocated land is land that can be used without a definitive term or payment of land premium. A parcel of cemetery land used by Jinzhou Maoshan Anling, spanning an area of 50,124 sq.m., is developed and operated on land which was initially allocated to Jinzhou Public Cemetery Administration Department, the minority shareholder of our operating vehicle, Jinzhou Maoshan Anling, by the government in 1992. In 2004, the Jinzhou Public Cemetery Administration Department injected the allocated land use right into Jinzhou Maoshan Anling. See “History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Formation of Our Domestic Operating Entities — 6. Jinzhou Maoshan Anling.” Accordingly, there can be no assurance that this land will not be deemed to have been developed on land allocated to us in 2004, which is not consistent with the revised catalogue of permissible usage of allocated land, and, if so, we may be asked to convert the land into granted land and pay a land premium for such conversion or to vacate the land. Our cemeteries and funeral facilities in Shanghai, spanning 402,034 sq.m., have also been developed and are operated on land which was allocated to us by the government. That land was allocated to us in 1994 and 1995 before the new land policies came into effect.

The laws and regulations on land use in the PRC are constantly evolving. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws, or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, with respect to the use of allocated land. Any adverse change in the laws and regulations with respect to the use of allocated land, requiring us to either vacate or pay a land premium at current market values for the allocated land, may materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to regulatory controls.

The PRC death care services industry is a highly regulated industry and may become more regulated in the future. Various aspects of the death care services business in the PRC, such as the maximum size of burial plots and certain matters relating to the sale of burial plots to living customers, are currently subject to governmental regulation. As such, we must ensure continuous compliance with numerous applicable laws, regulations and codes in the PRC to avoid any fines or any form of sanctions. In addition, we must obtain various licenses for our provision of death care services and ensure that our employees are in compliance with all the applicable laws, rules and regulations when providing services. Any change to or tightening of the relevant laws, rules and regulations, or any inability by us to obtain necessary licenses, may materially affect our business, financial condition, results of operations and prospects.

In the event of any breach of laws and regulations, our business may be subject to regulatory actions by the relevant governmental authorities of the PRC depending on the nature, extent and severity of the breach. According to the Regulations on Managing Funeral and Burial Industry of the PRC, in the event of our failure to comply with the relevant standards with respect to death care services in the PRC, the relevant governmental authorities may order us to cease the sale of funeral and burial products/services. Further, the relevant governmental authorities have the power to order us to pay a penalty in the amount of one to three times the unlawful gain from manufacturing and selling substandard funeral and burial products and services. See “Regulatory Overview — Regulation of the PRC death care services industry.” Further, in the case of serious breaches, our licenses to provide death care services may be revoked. In the event we breach any of the above-mentioned laws or regulations, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to acquire land in desirable locations that are suitable for cemetery development at commercially acceptable prices in the future.

The growth and success of our business depend on our ability to continue acquiring land located in desirable locations at commercially reasonable prices that are suitable for cemetery development. Our ability to acquire land may depend on a variety of factors that we cannot control, such as overall economic conditions, our effectiveness in identifying and acquiring land parcels suitable for cemetery development and competition for such land parcels.

Historically, our land for cemetery development was primarily land allocated to us by government authorities and through the acquisition of other cemetery operators. The availability and price of land depend on factors beyond our control, including government land policies and competition. The PRC Government and relevant local authorities control the supply and price of new land parcels, and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. For example, the PRC Government, through a revised catalogue of permissible usage of allocated land, removed cemetery use from the permitted uses of allocated land after 2001. As such, we are no longer able to acquire allocated land, which is not subject to a predetermined term of use, for cemetery development. Currently, land for cemetery development must first be zoned for cemetery development by the relevant government authorities before it can be privately acquired from the relevant local governments by cemetery operators. As these government authorities have fixed quotas as to how much land they can zone for cemetery development within a given period of time, there is constantly a limited amount of land available for cemetery development. Our inability to acquire land in desirable locations that are suitable for cemetery development at commercially acceptable prices could materially and adversely affect our business, financial condition and results of operations.

We have not obtained formal title certificates for some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.

As of the Latest Practicable Date, certain of our subsidiaries, including Shandong FSY Development, Henan FSY Industrial, Shanghai FSY Industry Development, and Shanghai Nanyuan, had not obtained formal title certificates for certain of the properties, constituting approximately 4,709 sq.m. in aggregate, which are occupied for ancillary facilities to our business, due to our failure to obtain the construction permits, construction work planning permits and/or building ownership certificates for these properties. According to relevant PRC regulations, governmental authorities may order us to demolish the buildings on these properties within a prescribed period of time or, if such demolition is not possible, the authorities may impose on us a fine not exceeding 10% of the total construction cost of the buildings. The occurrence of any of the above events could materially and adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we lease certain properties for ancillary facilities for our business and our landlords have not provided us with the relevant building ownership certificates and/or real estate certificates with respect to these properties. If our landlords do not own or are not authorized by the actual owners to lease these properties to us, we may need to relocate our operations at such locations and may incur additional costs relating to such relocation and we may not be able to find suitable alternative locations in a timely manner or at all. In addition, we have not registered all of our lease agreements with the relevant PRC authorities. As such, we may not be able to continue to lease such premises and may need to relocate our operations located on the relevant properties. We may face increased costs due to any such relocation and may not be able to find suitable alternative locations in a timely manner or at all. There are cases where the duration of our contracts for the sale of burial plots exceeds the remaining term of land use rights to our cemeteries. As of the Latest Practicable Date, sales of such burial plots accounted for approximately 19% of the value of the burial plots sold. The percentage of sales of burial plots with terms ending after our land use rights expire will increase as the remaining term of our land use rights continues to diminish without an extension. The occurrence of any of the above events could materially and adversely affect our business, financial condition and results of operations.

For more information on our properties, see "Business — Properties" in this prospectus.

Business tax may be levied on us for the revenue derived from transferring the rights to use the burial plots in certain provinces where we operate cemeteries.

According to the *Notice Regarding Business Tax Issues for Commercial Cemeteries* that was jointly issued by the MOF and SAT (國家稅務總局關於經營性公墓營業稅問題的通知) on July 3, 2001, revenue derived from transferring the rights to use the burial plots is exempt from business tax. However, the notice was revoked by MOF and the SAT on January 1, 2009, and neither the MOF nor SAT have released further notices regarding this issue.

The local administrations of taxation of Liaoning Province and Henan Province have also issued notices on the same matter which stipulate that income generated from transferring the rights to use the burial plots is subject to a business tax at a rate of 5%. The local administrations of taxation of Shanghai and Shandong Provinces have separately issued notices which specify that income from transferring the right to use the burial plots is free from business tax. However, there is the possibility that income from transferring the rights to use the burial plots will be classified as taxable income subject to business tax by the SAT in the future, which will increase our tax burden due to a potential 5% business tax levied on revenue derived from the sale of the right to use the burial plots which, in turn, may materially adversely affect our financial condition and results of operations.

Our Directors, senior management and employees are essential to our continued business operations.

Our performance depends on the continued service and performance of our Directors and our senior management and on our ability to retain and motivate our Directors and senior management.

Our success is attributable to the expertise and experience of our Directors and members of our senior management. In particular, Mr. Wang Jisheng, our general manager and one of our executive Directors, has more than 17 years of industry experience and is a deputy director of the China Funeral Association and the head of its Cemetery Committee. In addition, Mr. Ge Qiansong, our senior deputy general manager of sales and marketing, has nearly 40 years of industry experience. He was a deputy head of the Technology and Cultural Committee of China Funeral Association between 1995 and 2012 and has been the head of the committee since 2012. Both Mr. Wang Jisheng and Mr. Ge Qiansong have been instrumental in steering our growth and expansion, and, together with the other executive Directors and our senior management, have been responsible for formulating and implementing our overall business strategy and corporate development. While the Directors have entered into service agreements or letters of appointment with us, any Director may terminate his/her services by giving us notice of termination of service at any time in accordance with the terms of the service agreement or letter of appointment signed with us. The loss of services of any of the above key personnel may disrupt or adversely affect our business operations and we may be unable to find or train suitable replacements in a timely manner or at all. The loss of the services of key personnel or the inability to identify, hire, train and retain other qualified managerial personnel in the future may materially and adversely affect our business, financial condition and results of operations.

Further, our continued success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified and skilled employees for our business operations. The death care services industry is stigmatized due to the influence of thousands of years of feudal thinking. As a result, new death care employees tend to be less educated and are often relatives or family members of those who are already in the industry. The industry generally lacks experienced professionals and well-educated workers, which had oftentimes led to delivery of unsatisfactory services. Any failure to recruit skilled and qualified personnel or to retain key staff may materially and adversely affect our operations and expansion plans. Also, any material increases in our employee turnover rates could have a material adverse effect on our business, financial condition and results of operations. Additionally, the competition for acquiring skilled and qualified employees could require us to pay higher wages to attract and retain such employees, which could result in higher labor costs and lower profits.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brand and adversely affect our business.

We believe that the success of our business and our competitive position depend in part on our brand, Fu Shou Yuan, and customer awareness of our brand. Our ability to implement our business plan successfully also depends in part on our ability to further build brand recognition using our trademarks and other intellectual property, including our trade names and logos.

We have registered some of our trademarks, trade names and logos with the relevant PRC governmental authorities. With respect to those trademarks granted to us, we are legally entitled to require infringing parties to cease all unauthorized use of these trademarks and can enforce these rights by means of litigation, arbitration or other proceedings. We currently have six ongoing trademark disputes with Sichuan Chengdu Wenjiang Dalang Fushouyuan Industry Development Co., Ltd. (四川成都溫江大朗福壽園實業發展有限公司) ("**Sichuan Dalang**"), and one trademark cancellation application against Chongqing Huaxiayuan Industry Co., Ltd. (重慶華夏園實業有限責任公司) ("**Chongqing Huaxiayuan**") as described in the section headed "Business — Legal Proceedings Trademark Disputes" in this prospectus.

If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brand may be harmed which, in turn, may prevent our brand from achieving or maintaining market acceptance. We cannot assure you that the measures we have put in place to protect our intellectual property rights will be sufficient. Despite our efforts, we may not be able to prevent third parties from infringing upon our intellectual property rights, including our trademarks, trade names and logos. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights. Such proceedings, would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of their outcome and could materially and adversely affect our business, financial condition and results of operations.

Further, negative publicity or customer disputes and complaints regarding any infringing party's unauthorized use of our trademarks, trade names and logos could dilute or tarnish our cemeteries' and funeral facilities' brand appeal and reputation, which could damage our sales, profitability and prospects, even if we are able to successfully enforce our legal rights. We cannot assure you that any infringement of our intellectual property rights will not have a material adverse effect on our business, financial condition and results of operations.

Nuisance and/or noise or air pollution related claims against us in places where we operate funeral facilities could compel us to relocate our operations to alternative sites which could have a material adverse impact on our financial results.

Our cemeteries and funeral facilities are located in or near major cities in the PRC. We strategically select the locations in which we provide our services based on, among other considerations, population density. Due to our presence in densely populated urban areas we may be exposed to litigation and claims by local residents related to nuisance and/or noise or air pollution arising from the burning of incense sticks, chanting of prayers, playing of music and for other reasons. If any such claims are upheld, we may be compelled to relocate and the costs related to such relocation and the uncertainty related to finding suitable alternative sites in a timely manner and at acceptable cost could be materially adverse to our business, financial condition and results of operations.

We receive a significant proportion of our revenue in cash and we may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties, which could adversely affect our business and results of operations.

Although our customers may settle their accounts for our services by way of cash, bank transfer or credit card, we receive and handle large amounts of cash in our daily operations as nearly all of customer accounts for our death care services are settled in cash or via bank transfer. For the years ended December 2010, 2011 and 2012 and the six months ended June 30, 2013, we received RMB135.8 million, RMB151.2 million, RMB182.2 million and RMB127.6 million of our revenue in cash, representing 38.7%, 35.9%, 38.0% and 41.6% of our total revenue for the relevant periods, respectively.

We cannot assure you that our cash management and delivery system would be able to prevent all occurrences of fraud, theft and other misconduct involving employees, customers and other third parties. See "Business — Settlement and Cash Management." We may be unable to prevent, detect or deter all instances of misconduct with respect to our cash receipts. Any misconduct committed against our interests, which may include past acts or future acts, could subject us to financial losses and may have an adverse effect on our business and results of operations.

There are uncertainties associated with the expansion of our business.

The successful implementation of our expansion strategy may be influenced by various factors such as our ability to identify suitable business opportunities, to obtain governmental and other third-party consents, permits and licenses that are required to operate our business, to acquire additional land suitable to our expansion plans at reasonable prices as the availability of land for cemetery use is highly controlled in the PRC, to utilize our management and financial resources efficiently, to procure funding for capital expenditure related to any expansion, to hire, train and retain skilled and qualified personnel and to operate new businesses that we are unfamiliar with. For example, we entered into an investment agreement with Anhui Guangde Economic Development Management Committee in June 2012, whereby we agreed to cooperate to construct a factory to manufacture environmentally friendly cremation machines. See "Business — Cremation Machines." We may not be able to successfully operate this new business after construction of the factory is completed. There can be no assurance that we will be able to successfully implement our business strategy related to the above aspects. In the event that we are unable to find suitable opportunities for business expansion, our business, financial condition and results of operations may be materially adversely affected.

Expansion of our death care services is also dependent on customer satisfaction and our marketing efforts. In order to bring about and maintain growth in our business, it may be necessary for us to implement marketing initiatives to create public awareness and acceptance of our services. In the event that any of our marketing initiatives fail to generate increased demand, our business growth may be adversely affected.

Our business partnerships and strategic relationships with respect to some of our cemeteries and funeral facilities may be terminated in the future.

Some of our cemeteries and funeral facilities are jointly developed, owned or operated with business partners. For example, in 2008, we entered into a cooperation agreement with a government owned funeral parlor in Hefei for an aggregate period of ten years, whereby we are permitted to operate funeral facilities in its funeral parlor in exchange for our giving it a share of the revenue from our services there. There can be no assurance that there will be no dispute between our business partners and us in the future or that we will be able to pursue our stated strategies with respect to such strategic relationships and partnerships in the markets in which they operate. Furthermore, our business partners may (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our policies or objectives; (iii) undergo changes of control; (iv) experience financial and other difficulties; or (v) be unable or unwilling to fulfill their obligations. In addition, there can be no assurance that our business partners will renew their respective agreements with us on as favorable terms or at all. Further, we cannot assure you that we will be able to enter into similar arrangements with other business partners in the future.

If any of the above-mentioned risks relating to our inability to continue our business and/or strategic relationships with our business partners or to enter into similar relationships with other business partners were to materialize, our business, financial condition and results of operations may be materially and adversely affected.

One of our subsidiaries, Fumao, which is the holding company for some of our subsidiaries in the PRC, could potentially be subject to unlimited liability on account of being a general partner of our subsidiary, Chongqing FSY LLP.

Fumao is the general partner of Chongqing FSY LLP, an LLP established in the PRC. Fumao is also the holding company for some of our subsidiaries in the PRC, including Chongqing FSY Consultancy and Shanghai FSY Corporate Management Consultancy. See "History and Reorganization — Our Corporate Structure Immediately Prior to and After the Global Offering." Under PRC law, the general partner of a PRC LLP is potentially exposed to unlimited liability for claims that may be brought by the creditors (present or future) of the LLP. Thus, on account of the prospect of unlimited liability, Fumao could be exposed to the risk of significant liabilities pursuant to any enforcement proceedings by the creditors of Chongqing FSY LLP. As advised by our PRC legal advisors, Watson and Band Law Offices, Fumao's exposure under our LLP structure is limited to its registered capital and equity interest in its immediate subsidiaries in the PRC. We cannot assure you that any such proceedings brought by the creditors of Chongqing FSY LLP with respect to Fumao's assets will not have a material adverse impact on our business, financial condition and results of operations.

Current and future litigation, disputes and regulatory investigations may adversely affect our profitability and financial condition.

We are, and may be in the future, subject to legal actions, disputes and regulatory investigations in the ordinary course of our business. We may become involved in disputes with various parties in relation to our provision of death care services, including contractual disputes and personal liability claims. Any such disputes may lead to legal or other proceedings and result in substantial costs and the diversion of resources and management's attention away from our business. For example, we may be subject to litigation and liability for improper burial practices, including (i) historical burial practices which are judged as outdated or sub-standard; and (ii) alleged violations of established practices and procedures by our partners or associates. In addition, since we acquired some of our cemeteries and funeral facilities, we may be subject to litigation and liability based upon actions or events which occurred prior to our acquiring or managing them. Claims or litigation based upon our cemetery burial practices or defective service claims could have a material adverse impact on our financial condition, results of operations and cash flow. We may also be subject to monetary penalties as a consequence of regulatory investigations or inspections. For instance, the size of burial plots is regulated in the PRC and there is currently no clear guidance on how the dimensions of burial plots may be measured to ensure compliance. As a consequence, we may be subject to monetary penalties of up to three times the unlawful gain in monetary value if our cemeteries are found, upon regulatory inspection, to be in technical breach of the regulation of the size of burial plots in the PRC. See "Business — Legal Proceedings" and "Business — Compliance."

We may fail to identify, foresee or adapt our death care service offerings to changing local, cultural or customary demands in a timely manner.

We believe we are a leader in the death care services industry in the PRC in terms of quality. We regularly review and adapt our services to cater to the preferences of the local markets in which we operate in order to retain existing customers and to attract new ones. However, there may be local, cultural or customary differences across various provinces or changes which are difficult to anticipate or adapt to in the death care services market.

Local or family customs or culture in a particular locality in which we operate may, with time, shift towards the use of particular funeral or burial practices, and our ability to serve prospective customers may be impaired if we are unable to anticipate a shift and promptly adapt to such changes in providing our services.

If we are unable to foresee changes in local, cultural or customary preferences or tailor our death care service offerings in a manner required by local cultural demands or customs, we may be unable to retain existing customers or attract new ones. Such failure on our part could materially and adversely impact our business, financial condition and results of operations.

We relied on a limited number of suppliers during the Track Record Period.

Our principal suppliers include suppliers of urns, flowers and memorials and outsourced service providers. During the Track Record Period, our five largest suppliers, accounted for approximately 76.4%, 77.6%, 75.5% and 75.4% of our total purchases, respectively. During the Track Record Period, purchases from our single largest supplier, accounted for approximately 28.1%, 30.2%, 25.1% and 25.8% of our total purchases, respectively. Should our major suppliers cease their business relationships with us and we fail to locate suitable replacements on a timely basis and at acceptable cost, our business, financial condition and results of operations may be materially and adversely affected.

The occurrence of any thefts, fires, earthquakes or other natural disasters could adversely affect our operations.

The occurrence of any theft, fires, earthquakes or other natural disasters may affect our provision of death care services in the PRC. In the event that any theft, fires, earthquakes or other natural disasters occur in areas where our cemeteries, funeral facilities and third-party sales representatives are located, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE DEATH CARE SERVICES INDUSTRY IN THE PRC

The death care services industry is becoming increasingly competitive.

The death care services industry in the PRC is fragmented and is composed of a number of death care services providers. We face competition from governmental entities and private entities licensed by the government operating in the industry. To compete successfully, we have to provide and maintain good quality death care services and we may be compelled in the future, to move away from our premium pricing that may affect our profit margins. In addition, we must be able to promote and market ourselves as being distinguishable and different from our competitors. If we are unable to compete effectively, our business, financial condition and results of operations could be materially and adversely affected.

Our business may be subject to price controls.

The PRC Price Law (中華人民共和國價格法) became effective on May 1, 1998. Compliance with the requirements under the PRC Price Law, together with the relevant regulations, may limit our earning potential.

Pursuant to applicable law, prices for goods and services are divided into the categories of (i) market pricing (pricing determined by market forces); (ii) government guided pricing (price range set by the government and determined by the company within such a range); and (iii) fixed pricing (pricing fixed by the relevant government authorities). The PRC Government has the power to enforce government guided pricing and fixed pricing on services which benefit society when the government considers it necessary to do so.

In the death care services industry, the PRC Government exercises guided pricing controls on items such as (i) basic cosmetological surgery on remains, (ii) preservation of remains; and (iii) leasing of certain funeral equipment. Depending on a locality's pricing schedule, pricing of other goods and services used in funerals, such as caskets, mourning dresses and flower wreaths, may also apply guided pricing. Death care services providers are guided by these guided pricing controls and maintain discretion as to the prices they choose to charge for such items.

Further, the PRC Government exercises fixed pricing controls in the following areas: (i) transportation of remains, (ii) cold storage of remains, (iii) cremation and (iv) deposit of remains. Although our revenue from these services represented a small amount of our total revenue during the Track Record Period, there can be no assurance that the scope of governmental price controls will not be expanded in the future to cover other services. If the scope of governmental price controls is expanded to other aspects of death care services, our ability to charge for our death care services at a premium may be adversely affected.

We have complied with all relevant rules and regulations for the Pricing Directories of Shanghai, Shandong, Henan, Chongqing, Liaoning and Anhui. There can be no assurance that future changes in the Pricing Directories or in the scope of services included in the Pricing Directories of the above provinces or in the other provinces in which we may operate will not have an adverse effect on our current or future business, financial condition and results of operations.

Increasing life expectancy and decline in the number of deaths may cause a reduction in our revenue.

The number of deaths is the most significant driver of the level of activity in the death care services industry, with funeral facility, cemetery and crematorium activity depending significantly on the number of deaths in the PRC each year. Continual advances in medicine and increasing health consciousness leading to healthier lifestyles of the general public in the PRC is likely to result in longer life spans and lower the number of deaths per year. Life expectancy in the PRC increased from 73.0 years in 2008 to 74.8 years in 2012. A decline in the number of deaths may cause a decline in the death care services to be provided by us, which in turn may materially affect our business, financial condition and results of operations.

Our business may be adversely affected by downturns in the economy.

As our business is concentrated in the PRC, our revenue is heavily dependent on the economy of the PRC and customers' demand for death care services in the provinces in which we operate. If consumer demand for our death care services is reduced by a significant extent in any of those provinces and we are unable to develop and divert our business to new areas, our business, financial condition and results of operations will be materially and adversely affected.

In the event that the recent economic crisis that affected the economy of the United States and the economies in other parts of the world has an adverse impact on the economy of the PRC, such as a decrease in foreign demand for goods manufactured in the PRC and a drop in foreign exports from the PRC to the United States and other parts of the world, a decline in the income of the general populace in the PRC may be caused resulting in a reduction in the spending of the general populace on death care services. In such a case our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE PRC

Changes in political, social and economic policies of the PRC Government may materially affect our business, operating results and financial condition.

All of our business operations are conducted in the PRC. Accordingly, we are affected by the economic, political and legal environment in the PRC, and PRC's overall GDP growth. The PRC economy differs from the economies of most developed countries in many respects, including the following:

- it has a high level of government involvement;
- it is in the early stages of development of a market-oriented economy;
- it has experienced rapid growth;

- it has a tightly controlled foreign exchange policy; and

- it is characterized by an inefficient allocation of resources.

The PRC's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in the PRC remain state-owned and the PRC Government exercises a high degree of control over these assets. In addition, the PRC Government continues to play a significant role in regulating industrial development by imposing industrial policies. For the past three decades, the PRC Government has implemented economic reform measures to emphasize the utilization of market forces in economic development.

The PRC's economy has grown significantly in recent years; however, we cannot assure you that such growth will continue. The PRC Government exercises control over PRC economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, establishment of monetary policy and provision of preferential treatment to particular industries or companies. Some of these measures benefit the overall PRC economy, but some may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by governmental control over capital investments or changes in tax regulations that are applicable to us. As such, our future success is, to some extent, dependent on the economic conditions in the PRC, and any significant downturn in market conditions, particularly in the PRC death care services sector, may adversely affect our business, financial condition and results of operations.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited value as precedents. Since 1979, the PRC Government has promulgated laws and regulations governing economic matters in general such as foreign investment, corporate organization and governance, commerce, taxation and trade. In addition, laws, regulations and legal requirements regarding various forms of foreign investment in the PRC, particularly with respect to laws and regulations applicable to WFOE and Sino-foreign joint ventures are relatively new. Because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these newer laws and regulations involve greater uncertainties than those in other jurisdictions available to you as an investor. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws, or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. The laws and regulations on the funeral industry are still evolving, for example, there are still no specific provisions on the legal nature of transferring the right to use the burial lots, and it is still not clear whether a transfer of the right to use the burial lots will be deemed as a transfer of a land use right or a lease. If transfers of right to use the burial lots are deemed as a transfer of land use rights or leases, there may be disputes between us and our customers with respect to the terms of our services, which may have a material adverse impact on our business, financial condition and results of operations.

Governmental control of currency conversion and changes in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

Substantially all of our revenue is denominated and settled in Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required when Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Inflation in the PRC could negatively affect our results of operations.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rise in inflation. During the past two decades, the rate of inflation in the PRC has been as high as approximately 20%. Inflation can affect our results of operations if we are unable to pass along cost price increases to customers and may also weaken our competitiveness domestically. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. The implementation of such policies may impede economic growth. Repeated rises in interest rates by the central bank would likely slow economic activity in the PRC which could, in turn, materially increase our financing costs and also reduce demand for our services which are priced at a premium.

Our operations are subject to environmental regulations in the PRC.

Our operations are subject to the increasingly stringent laws and regulations related to environmental protection, including laws and regulations governing emissions, waste water discharge, waste management and disposal, storage and handling, and workplace safety. Failure to comply with such laws and regulations could result in the assessment of substantial administrative, civil and criminal penalties, the imposition of investigatory and remedial obligations, and the issuance of injunctions restricting or prohibiting our business operations. Moreover, it is possible that the implementation of stricter environmental laws and regulations, or regulatory interpretations of these laws and regulations could result in additional costs and/or liabilities which have not yet been identified by us, such as the requirements to purchase pollution control equipment or to implement operational changes or improvements.

It may be difficult to enforce judgments from non-PRC courts against us or our Directors, or officers who live in the PRC.

The legal framework to which we and our operating subsidiaries are subject is materially different in certain areas from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority Shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which we and our operating subsidiaries are subject are also relatively underdeveloped and untested. However, in 2005, the PRC Company Law was amended to allow shareholders to commence actions against the directors, officers or any third party on behalf of a company under certain limited circumstances.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with countries such as the United States, the United Kingdom and Japan, and therefore enforcement in the PRC of judgments of a court in these jurisdictions may be difficult or not possible. Therefore, it may be difficult to effect service of process upon us or our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgment obtained from non-PRC courts.

Compliance with the PRC Labor Contract Law may increase our labor costs.

The PRC Labor Contract Law (勞動合同法) became effective on January 1, 2008. Compliance with the requirements under the PRC Labor Contract Law, in particular the requirements related to the making of severance payments and non-fixed term employment contracts, may increase our labor costs.

Pursuant to the PRC Labor Contract Law, since January 1, 2008, we have been required to enter into non-fixed term employment contracts with employees who have worked for us for more than ten years or, unless otherwise provided in the PRC Labor Contract Law, for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the PRC Labor Contract Law without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, unless such employees voluntarily reject an offer to renew the contract in circumstances when the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances when the employee's monthly wage is three or more times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. Liability for damages or fines may be imposed for any material breach of the PRC Labor Contract Law.

In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers must be compensated an amount which equals three times their normal daily salaries for each vacation day waived. As a result of such laws and regulations, our labor costs may increase.

As confirmed by our Directors, there was no increase in the amount of our labor costs in 2008 as a result of the PRC Labor Contract Law and we have been in compliance with the PRC Labor Contract Law since it became effective on January 1, 2008. In addition to the cost of compliance with current PRC labor laws and regulations, any significant changes in PRC labor laws in the future may substantially increase our operating costs and have a material adverse effect on our business, financial condition and results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to taxes under PRC tax laws, and if we are classified as a "resident enterprise" for PRC enterprise income tax purposes, we could be subject to unfavorable tax consequences.

Under the Enterprise Income Tax Law (企業所得稅法) of the PRC (the "**New Income Tax Law**") and its implementation rules issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gains realized on the transfer of Shares by such investors are also subject to 10% PRC income tax if such gains are regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise," it is unclear whether dividends we pay with respect to our Shares, or the gain our shareholders may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the New Income Tax Law to withhold PRC income tax on dividends payable to our non-PRC investors that are "non-resident enterprises," or if our shareholders are required to pay PRC income tax on the transfer of our Shares, the value of our shareholders' investment in our Shares may be materially and adversely affected.

Our Hong Kong subsidiary is subject to PRC withholding tax under the New Income Tax Law and we may not be able to enjoy the preferential withholding tax rate of 5%.

Under the New Income Tax Law and its implementation rules, PRC-sourced income of foreign enterprises that are "non PRC resident enterprises" that do not have an establishment or place of business in the PRC or, despite the existence of such establishment or place in the PRC, the relevant income is not actually connected with such establishment or place in the PRC, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with the PRC that provides a different withholding arrangement.

Under an arrangement between the PRC and Hong Kong, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity is a "beneficial owner" and such entity directly owns at least 25% of the equity interest of the PRC company. The Notice of the State Administration of Taxation on How to Comprehend and Determine the "Beneficial Owners" in Tax Treaties, effective from October 27, 2009, provides certain conditions under which a company cannot be defined as a "beneficial owner" under the treaty, and further provides that an agent or "conduit company" (defined as a company registered in the country of domicile to satisfy the organizational form as required by law, but does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a "beneficial owner". If the PRC tax authorities determine that our Hong Kong subsidiary is a "conduit company", we may not be able to enjoy a preferential withholding tax rate of 5%.

Our future restructuring may face uncertainties under the Notice on Strengthening Enterprise Income Taxation on Non-resident Enterprises with respect to Gains from Equity Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) ("Notice 698") released in December 2009 by the SAT.

Pursuant to Notice 698, an offshore enterprise which interposes an intermediate holding company for its investment in a PRC subsidiary will be required to report the indirect transfer of the equity interest of the PRC subsidiary to the PRC local tax bureau if the effective tax rate of the jurisdiction over the transferee is less than 12.5%, or that jurisdiction does not tax foreign income of the transferee. The PRC tax authorities will examine the nature of the offshore transfer through the reporting documents and determine whether such transfer constitutes evasion of PRC taxation through an abusive arrangement without reasonable commercial purpose. Based on the "substance over form" principle, the PRC tax authorities may re-characterize the transfer and disregard the existence of the intermediate holding company. Once the intermediate holding company is disregarded, the transfer could effectively be treated as a non-resident enterprise transferring the PRC subsidiary's equity, and subject any transfer gains to PRC withholding tax. However, there is uncertainty as to the application of Notice 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction over a wide range of foreign entities having no direct relation to the PRC. Moreover, the relevant authority has not yet promulgated any formal provisions or formally stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting to the tax bureau. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted arrangements in order to avoid PRC tax.

If we conduct certain transactions which involve such indirect transfer in the future, we may be subject to the risk of being taxed under Notice 698 and we may be required to expend our resources to comply with Notice 698 or to establish that we should not be taxed under Notice 698, which may have a material adverse effect on our financial condition and results of operations.

Restrictions on the payment of dividends under applicable regulations may limit the ability of our PRC operating subsidiary to remit dividends to us, which could affect our liquidity and our ability to pay dividends.

We paid dividends to our shareholders in the amounts of RMB141.8 million, RMB87.6 million and RMB77.8 million, respectively, during the three years ended December 31, 2010, 2011 and 2012. We cannot guarantee that dividends will be paid out at the same rate or at all in the future as our ability to pay dividends is restricted. As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiary. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years.

The calculation of our distributable profits under PRC GAAP differs in many respects from the calculation under IFRS. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have distributable profits as determined under IFRS. Accordingly, since we will derive all of our earnings and cash flow from dividends paid to us by our PRC operating subsidiaries, we may not have sufficient distributable profits to pay dividends to our Shareholders.

Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza, H1N1 influenza or H7N9 influenza) in the PRC could materially and adversely affect the overall business sentiments and environment in the PRC, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall GDP growth of the PRC. As our revenue is currently derived from our operations in the PRC, any labor shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect our business, financial condition and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, financial condition and results of operations.

We may be treated as a resident enterprise for PRC tax purposes following the effectiveness of the New Income Tax Law on January 1, 2008, which may subject us to withholding tax for any dividends payable by us to our foreign investors and any gains on the sale of our Shares.

The New Income Tax Law provides that if an enterprise incorporated outside the PRC has its "de facto management organization" within the PRC, such enterprise may be deemed a PRC resident enterprise for tax purposes and be subject to an enterprise income tax rate of 25% on its worldwide income. Most of our Shareholders are located in the PRC and, if they remain there, we as well as our overseas Shareholders may be deemed PRC resident enterprises and therefore subject to an enterprise income tax rate of 25% on our worldwide income. As a result of these tax provision changes, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares may be materially and adversely affected.

The New Income Tax Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax.

The New Income Tax law also stipulates that if (i) an enterprise distributing dividends is domiciled in the PRC, or (ii) capital gains are realized from the transfer of equity interests in enterprises domiciled in the PRC, then such dividends or capital gains be treated as PRC-sourced income. If our overseas Shareholders are deemed PRC resident enterprises for tax purposes, then (i) any dividends we pay to our overseas Shareholders and (ii) any capital gains realized by our Shareholders from transfers of our Shares may be regarded as PRC-sourced income and be subject to a PRC withholding tax at a rate of up to 10%.

If dividend payments from our PRC operating subsidiaries to us are subject to PRC withholding tax, it may have a material adverse effect on our business, financial condition and results of operations. If our dividend payments to overseas Shareholders are subject to PRC withholding tax, it may have a material adverse effect on your investment return and the value of your investment with us.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

On October 21, 2005, SAFE issued the Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investment (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知, "**Circular 75**") which came into force on November 1, 2005, requiring PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside the PRC, referred to as an "offshore special purpose company," for the purpose of raising funds from overseas with the assets of or equity interest in PRC companies. Under Circular 75, our PRC domestic resident Shareholders are required to register with the local SAFE branch their respective ownership in us. The PRC domestic resident Shareholders, Bai Xiaojiang, Tan Li Kang, Zhang Bin, Lu Hesheng, Wang Jisheng, Zhao Yueming, Zhao Yu, Ge Qiansong, Yi Hua, Wu Yibo, Wang Qiong, Le Jiasheng, Wu Jianzhong, Xu Yong, Zhou

Chen, Zhao Zhichao and Zhang Shiyao filed applications for Circular 75 registration to Chongqing SAFE and the applications were accepted on July 11, 2013. A followed-up application was made on November 13, 2013 and such application was accepted by Chongqing SAFE on November 22, 2013. The Circular 75 registrations for the above-mentioned individuals were completed on December 4, 2013 and our PRC legal advisors have confirmed that we are in compliance with the regulations on foreign currency exchange. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by SAFE to its local branches, if any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose company. Any failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

We may be unable to transfer the net proceeds from the Global Offering to the PRC.

We will use the net proceeds from the Global Offering in the PRC on certain planned expansion projects which are important to our growth. See "Future Plans and Use of Proceed." Our PRC legal advisors have advised us that the net proceeds can only be converted into Renminbi after obtaining approval from the relevant local foreign exchange authorities for use in the PRC projects. There is no assurance that such approvals will be granted. If we fail to obtain the approvals from the relevant foreign exchange authorities or such approvals are delayed for a significant time period, we will not be able to proceed with such projects, which may have a material adverse effect on our business, financial conditions and result of operations.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

Because there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing and permission to trade our Shares on the Hong Kong Stock Exchange. The Listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;

- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Substantial Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

The market price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering will be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the fifth business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when investors purchase our Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to our Shareholders immediately following the Global Offering, investors purchasing in the Global Offering would receive less than the amount they paid for their Shares. See "Appendix II — Pro Forma Financial Information."

You may face difficulties in enforcing your shareholder rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under Cayman Islands Law may be different from that under the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by, among others, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on courts in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of Hong Kong or other jurisdictions. For example, the Companies Law does not contain an express provision which is equivalent to section 168A of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. See "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Law."

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources contained in this prospectus.

Facts, forecasts and other statistics in this prospectus relating to the economy and our industry on an international, regional and specific country basis have been collected from materials from official governmental sources. We cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we, any of our respective affiliates or advisors, nor the Underwriters or any of their affiliates or advisors, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official governmental sources. Statistics, industry data and other information relating to the economy and our industry derived from official governmental sources used in this prospectus may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information, different market practices or other reasons, the statistics, industry data and other information relating to the economy and our industry derived from official governmental sources might be inaccurate or might not be comparable to statistics produced from other sources. In all cases, you should carefully consider how much weight or importance you should attach or place on such statistics, industry data and other information relating to the economy and our industry.

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "going forward," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Public Offering Shares are set out in the section headed "How to Apply for Hong Kong Public Offering Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 50,000,000 Hong Kong Public Offering Shares and the International Offering of initially 450,000,000 International Offering Shares, subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Details of the terms of the Hong Kong Public Offering are described in the section headed "Structure of the Global Offering" in this prospectus and on the Application Forms.

The listing of our Shares on the Stock Exchange is sponsored by Citi, also referred to as the Sole Sponsor. Citi is the Sole Global Coordinator of the Global Offering. Citi, UBS and CIMB are the Joint Bookrunners and the Joint Lead Managers of the Hong Kong Public Offering and Citigroup Global Markets Limited, UBS and CIMB are the Joint Bookrunners and the Joint Lead Managers of the International Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and subject to agreement on the Offer Price between us and the Sole Global Coordinator (on behalf of the Underwriters).

The International Offering is expected to be underwritten by the International Underwriters pursuant to the International Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about Thursday, December 12, 2013.

For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

We offer the Hong Kong Public Offering Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring Hong Kong Public Offering Shares will be required to confirm, or by his/her acquisition of Hong Kong Public Offering Shares will be deemed to confirm, that he/she is aware of the restrictions on offers of the Hong Kong Public Offering Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including the Offer Shares and any additional Shares which may be issued pursuant to the Capitalization Issue and the Global Offering and upon the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme). Dealings in our Shares on the Stock Exchange are expected to commence on Thursday, December 19, 2013.

Except as otherwise disclosed in this prospectus, no part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Stamp Duty

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

Register of Members

Our principal register of members will be maintained by our Company's principal share registrar, Appleby Trust (Cayman) Ltd. in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

All Shares issued or sold in the Global Offering are expected to be registered on our register of members to be maintained in Hong Kong. All of the Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our share register to be maintained in Hong Kong.

Eligibility for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

Professional Tax Advice Recommended

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to the Offer Shares.

It is emphasized that none of us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, their respective directors, agents, employees and advisors, nor any other person involved in the Global Offering accepts any responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding or disposing of, dealing in or exercising any rights in relation to the Offer Shares.

Procedure for Application for Hong Kong Public Offering Shares

The procedure for applying for Hong Kong Public Offering Shares is set out in the section headed "How to Apply for Hong Kong Public Offering Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Stabilization and Over-allotment Option are set out in "Structure of the Global Offering — Over-allotment and Stabilization" in this prospectus.

EXCHANGE RATE

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and certain U.S. dollars amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless indicated otherwise, the translation of Renminbi into HK dollars was made at the rate of HK$1.00 to RMB0.7911, the exchange rate prevailing on December 2, 2013, set by the People's Bank of China ("**PBOC**") for foreign exchange transactions, and the translation of U.S. dollars into Hong Kong dollars was made at the rate of US$1.00 to HK$7.7526. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two executive Directors must be ordinarily resident in Hong Kong. At present, since our main operation is conducted in China, our executive Directors are based in China as we believe it is more effective and efficient for our executive Directors to be based in a location where we have significant operations. We therefore do not and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions:

(i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. We have appointed Bai Xiaojiang, our executive Director, and Zhao Yu, our joint company secretary, as our two authorized representatives. The authorized representatives will be able to meet with the Stock Exchange on reasonable notice upon the request of the Stock Exchange and they will be readily contactable by telephone, facsimile and email by the Stock Exchange;

(ii) the authorized representatives have means for contacting all the Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(iii) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged Shenyin Wanguo Capital (H.K.) Limited as our compliance advisor, who will, among others, in addition to the two authorized representatives, act as our company's additional channel of communication with the Stock Exchange;

(iv) the Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents or can apply for valid travel documents to visit Hong Kong, and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time, if required; and

(v) to enhance communications among the Stock Exchange, the authorized representatives and the Directors, we have implemented a policy whereby (a) all Directors shall provide their respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the authorized representatives as well as the Stock Exchange; and (b) in the event that a Director expects to travel and be out of office, he shall provide the phone number of the place of his accommodation to the authorized representatives.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note (1) to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a Member of the Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); or

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

We have appointed Zhao Yu as a joint company secretary. Mr. Zhao joined our Group in 2009 and has more than 11 years of experienced in corporate financial industry. Given that Mr. Zhao is neither a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister nor a professional accountant, as required under Note (1) to Rule 3.28 of the Listing Rules, his appointment as a joint company secretary does not strictly comply with Rules 3.28 and 8.17 of the Listing Rules. We have appointed Wong Wai Ling to act as a joint company secretary. Ms. Wong is an associate of the Hong Kong Institute of Chartered Secretaries. Accordingly, Ms. Wong fully complies with the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules. We have engaged Ms. Wong as joint company secretary for a minimum period of three years commencing from the Listing Date, during which she will assist and guide Mr. Zhao to enable him to acquire the "relevant experience" under Note (2) to Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and obtained, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the condition that we engage Ms. Wong, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Mr. Zhao in his discharge of duties as a joint company secretary and in gaining the "relevant experience" as required under Note (2) to Rule 3.28 of the Listing Rules. Our Company understands that, upon expiry of the three-year period, the Stock Exchange will re-evaluate the merits of this waiver as set out in Listing Decision HKEx-LD35-1. Our Company will also evaluate the qualifications and experience of Mr. Zhao and the need for on-going assistance would be made. Our Company understands and acknowledges that the waiver will be revoked if Ms. Wong ceases to provide assistance to Mr. Zhao as our joint company secretary within the three-year period after Listing.

PRE-IPO SHARE OPTION SCHEME

Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance require that this prospectus should include, among other things, details of the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

As at the Latest Practicable Date, the outstanding options to subscribe for an aggregate of 57,613,169 Shares (representing approximately 2.8% of the total issued share capital of our Company immediately following completion of the Capitalization Issue and the Global Offering as enlarged by the allotment and issue of Shares upon the exercise of all such options (assuming that the Over-allotment Option is not exercised and not taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme of our Company) granted under the Pre-IPO Share Option Scheme are held by 199 grantees. Except for those grantees who are Directors (namely, Bai Xiaojiang and Wang Jisheng, both are our executive Directors) and senior management of our Company (namely, Ge Qiansong, our deputy general manager of strategic planning development, Tan Li Kang, our deputy general manager of projects development, Yi Hua, our deputy general manager of public relations, cultural branding development and human resources , Wu Yibo, our deputy general manager of sales and marketing and corporate planning, Xu Yong, our deputy general manager of our Engineering, Greenery, Construction and Management, Zhao Yu, our deputy general manager of Listing matters and Board secretary affairs, and joint company secretary and Li Heguo, our Deputy General Manager of strategic development, planning and execution, major projects and acquisitions), options were also granted to a total of 190 other grantees being employees of our Group (the "**Other Grantees**"). Of the 190 Other Grantees, 29 were granted with such number of options that the total number of Shares underlying such options represents approximately 0.015% or more of our total issued share capital immediately following completion of the Capitalization Issue and the Global Offering as enlarged by the allotment and issue of Shares upon the exercise of all such options (assuming that the Over-allotment Option is not exercised and not taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme) (the "**Major Grantees**"). Except for those grantees who are Directors as disclosed in the paragraph headed "Appendix V — Statutory and General Information — E. Pre-IPO Share Option Scheme" in this prospectus, no options have been granted to any connected persons (as defined under the Listing Rules).

We have applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(l)(b) and paragraph 27 of Appendix 1A of the Listing Rules, and to the SFC for a certificate of an exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, in connection with the information of the options granted under the Pre-IPO Share Option Scheme on the ground that full compliance with such disclosure requirements in setting out the names and addresses of, and the number of Shares represented by options granted under the Pre-IPO Share Option Scheme to the Other

Grantees who are not Major Grantees would be unduly burdensome for our Company for the following reasons:

(i) the options granted under the Pre-IPO Share Option Scheme are considered as part of each grantee's remuneration package or incentives, and therefore information on options granted to each individual grantee is highly sensitive and confidential among the grantees. Disclosing such highly sensitive and confidential information in this prospectus would prejudice the interests of our Company and therefore unduly burdensome on our Company;

(ii) the total number of Shares underlying the options granted under the Pre-IPO Share Option Scheme represents approximately 2.8% of the total issued share capital of our Company immediately following completion of the Capitalization Issue and the Global Offering as enlarged by the allotment and issue of Shares upon the exercise of all such options (assuming that the Over-allotment Option is not exercised and not taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme of our Company). The grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse impact on the financial position of our Company and in any event the total number of Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme and the potential dilution effect will be set out in this prospectus;

(iii) non-compliance with the disclosure requirements does not prevent our Company from providing an informed assessment of our Company's activities, assets and liabilities, financial position, management and prospects to its potential investors;

(iv) the important information, that is, the aggregate number of options outstanding, exercise price, vesting period and the potential dilution effect on the shareholdings of our Company upon Listing and the impact on the earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme, is disclosed in this prospectus and such information, together with other information contained in this prospectus regarding the Pre-IPO Share Option Scheme, provides potential investors with sufficient information to make a relevant assessment of our Company in their investment decision-making process;

(v) full disclosure of the details of the grantees may also have a negative impact on our Company's relationships with the grantees, as some grantees may be dissatisfied with the number of options granted to them after comparing with other grantees; and

(vi) setting out the names, addresses and numbers of Shares represented by options for the 161 Other Grantees who are not Major Grantees on an individual basis would increase around 50 pages in this prospectus (English and Chinese versions included), and therefore, would be costly and unduly burdensome on our Company in light of the increase in cost for prospectus printing.

The Stock Exchange has granted us a waiver from strict compliance with the relevant disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules, in connection with the information of the options granted under the Pre-IPO Share Option Scheme on the following conditions:

(i) disclosure in this prospectus, on an individual basis, of the full details of all options granted by our Company under the Pre-IPO Share Option Scheme to our Directors, senior management, Major Grantees and connected person(s) of our Company, such details to include all the particulars required under Rule 17.02(l)(b) of and paragraph 27 of Appendix 1A to the Listing Rules;

(ii) disclosure in this prospectus, an aggregate number of Shares subject to the options granted by our Company under the Pre-IPO Share Option Scheme and the percentage to our Company's total issued share capital represented by them;

(iii) disclosure in this prospectus, the potential dilution effect on the shareholdings of our Company upon Listing and the impact on the earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme;

(iv) disclosure in this prospectus, the aggregate number of those Other Grantees who are not Major Grantees, the number of Shares underlying the options granted to them, the vesting period of each option, the consideration paid for the options, and the exercise price of the options;

(v) a summary of the rules of the Pre-IPO Share Option Scheme;

(vi) the particulars of the waiver from strict compliance with the disclosure requirements under Rule 17.02(l)(b) and paragraph 27 of Appendix 1A of the Listing Rules to be granted are set out in this prospectus; and

(vii) the full list of the grantees under the Pre-IPO Share Option Scheme containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules will be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available For Inspections" in Appendix VI to this prospectus.

Further, the SFC has also granted us a certificate of an exemption pursuant to section 342A(1) of the Companies Ordinance from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance on the following conditions:

(i) disclosure in this prospectus, on an individual basis, of the full details of all options granted by the Company under the Pre-IPO Share Option Scheme to the Directors, senior management, Major Grantees and connected person(s) of the Company, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;

(ii) disclosure in this prospectus, the aggregate number of those Other Grantees who are not Major Grantees, the number of Shares underlying the options granted to them, the exercise period of each option, the consideration paid for the options, and the exercise price of the options;

(iii) the full list of the grantees under the Pre-IPO Share Option Scheme containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance will be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available For Inspections" in Appendix VI to this prospectus; and

(iv) the particulars of the certificate of exemption granted by the SFC are set out in this prospectus.

For details of the Pre-IPO Share Option Scheme, see "Appendix V — Statutory and General Information — E. Pre-IPO Share Option Scheme" in this prospectus.

Our Directors believe that, in considering the above conditions undertaken by our Company, the granting of waiver by the Stock Exchange and the granting of the certificate of exemption by the SFC will not prejudice the interest of the investing public.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Bai Xiaojiang (白曉江) (Chairman)	Room 208 No. 116 Wanping Road Shanghai	Chinese
Tan Leon Li-an (談理安) (Vice-Chairman)	No. 6 Aly. 16 Ln. 315, Sec 2 Shipai Road Beitou District Taipei City 112 Taiwan	Hong Kong
Wang Jisheng (王計生)	No. 308 Lane 800 Gaojing Road Qingpu District Shanghai	Chinese
Non-executive Directors		
Lin Hung Ming (林宏銘) (also known as Lin Hon Min)	3F, No. 3, Alley 93 Sung Chiang Road Taipei Taiwan	Taiwan passport holder
Lu Hesheng (陸鶴生)	Unit 1502, 15/F No. 17 Lane 100 Yinxiao Road Pudong New District Shanghai	Chinese
Huang James Chih-Cheng	874 Hailey Court San Marcos, CA 92078 United States	Canadian

Name	Address	Nationality
Independent non-executive Directors		
Chen Qunlin (陳群林)	No. 301, Gate 2, Tower 3 Block 33 Taipusi Street Xicheng District Beijing	Chinese
Luo Zhuping (羅祝平)	No. 96, Second Village East China Normal University Putuo District Shanghai	Chinese
Ho Man (何敏)	Flat D, 35/F, Block 5 The Legend No. 23 Tai Hang Drive Wan Chai Hong Kong	Chinese
Wu Jianwei (吳建偉)	Flat 5, 3/F, No. 701 No. 10 Zhengyi Road Dongcheng District Beijing	Chinese

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	*Hong Kong Public Offering* Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong CIMB Securities Limited Units 7706-08 Level 77 International Commerce Centre 1 Austin Road West, Kowloon Hong Kong *International Offering* Citigroup Global Markets Limited Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB United Kingdom UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong

	CIMB Securities Limited Units 7706-08 Level 77 International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Co-Manager	First Shanghai Securities Limited 1905 Wing On House 71 Des Voeux Road Central Hong Kong
Legal advisors to our Company	*As to Hong Kong Law and US Law* Shearman & Sterling 12th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to Cayman Islands Law* Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong *As to PRC Law* Watson & Band Law Offices 26/F, WenXin United Press Tower 755 Weihai Road Shanghai 200041 PRC
Legal advisors to the underwriters	*As to Hong Kong Law and US Law* Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC Law* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road, Chaoyang District Beijing 100025 PRC

Auditor and reporting accountant	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
Property valuers	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong

Registered Office	Floor 4 Willow House Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands
Headquarters	Room 1306 No. 88 Cao Xi Road North Shanghai China 200030
Principal place of business in Hong Kong	8/F Yue Hing Building 103 Hennessy Road Wan Chai Hong Kong
Website Address	http://www.fsygroup.com (Information on this website does not form part of this prospectus)
Joint Company Secretaries	Mr. Zhao Yu Ms. Wong Wai Ling
Authorized representatives	Bai Xiaojiang Zhao Yu
Audit Committee	Ho Man (Chairman) Huang James Chih-Cheng Luo Zhuping
Remuneration Committee	Luo Zhuping (Chairman) Tan Leon Li-an Chen Qunlin
Nomination Committee	Bai Xiaojiang (Chairman) Luo Zhuping Chen Qunlin
Compliance Committee	Wu Jianwei (Chairman) Chen Qunlin Luo Zhuping Ho Man

Principal Share Registrar and Transfer Office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Advisor	Shenyin Wanguo Capital (H.K.) Limited 28th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
Principal Bankers	Shanghai Pudong Development Bank, Xuhui Branch No. 589, West Jianguo Road, Xuhui District Shanghai PRC
	Shanghai Rural Commercial Bank, Huancheng Branch No. 885, Qinghu Road, Qingpu District Shanghai PRC

Certain information and statistics set forth in this section and elsewhere in this prospectus have been derived from various official government sources, market data providers and other independent third-party sources. In addition, this section contains information, including estimates, extracted from a report commissioned by us and prepared by Euromonitor, or the Euromonitor Report, for the purposes of this prospectus. We believe that the sources of the information in this "Industry Overview" section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, the information has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy or completeness. As such, investors are cautioned not to place any undue reliance on the information and statistics set forth in this section and elsewhere in this prospectus.

EUROMONITOR

In connection with the Global Offering, we have engaged Euromonitor International Limited ("**Euromonitor**"), an independent third party, to prepare an industry report that studies the overall death care services industry in the PRC and the death care services industries in certain regions of the PRC (the "**Euromonitor Report**"). The Euromonitor Report was prepared based on (i) primary qualitative and quantitative research, including trade interviews with respondents from different departments within multiple organizations, such as burial service providers, funeral service providers, local Ministry of Civil Affairs government offices, as well as trade associations, and (ii) secondary research, including gathering, refining and confirming information from multiple relevant published data sources, such as statistics published by government authorities, independent analysts or research group reports, the Euromonitor passport data system and some relevant companies' annual reports. In particular, to the extent possible, the Euromonitor Report has cited data and statistics from its sources, including official sources such as National Bureau of Statistics and Ministry of Civil Affairs of the PRC, as well as authoritative reports such as "Green Book — Report on Funeral Development of China", which are generally accepted as reliable sources available in the PRC. The total fee we paid for the Euromonitor Report was US$191,400.

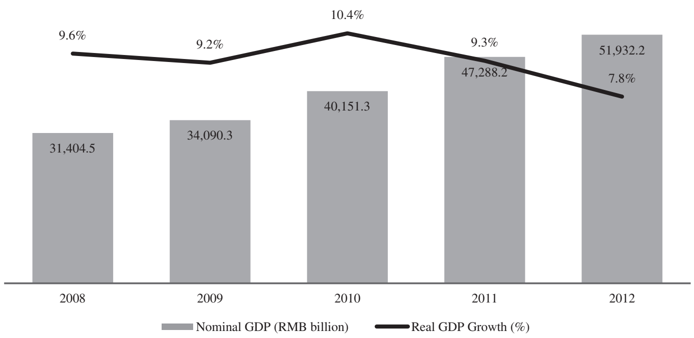
We operate only in localities where traditional ground burial of non-cremated bodies is not permitted under PRC law, and our business operations only cover the market for cremated remains. The Regulations on Funeral and Interment Control provide that traditional ground burials of non-cremated bodies are generally only permitted in rural parts of the PRC, where population density is low and where local customs favor such practices. The term "burial services" does not cover traditional ground burial of non-cremated bodies and the Euromonitor Report does not discuss the market for traditional ground burial of non-cremated bodies. The size of the death care services industry referred to in this section relates only to death care services provided for cremated bodies.

OVERVIEW OF CHINA'S ECONOMY

Overall Economic Growth Remains Strong

Over the past three decades, China has experienced strong economic growth and surpassed Japan to become the world's second largest economy in terms of nominal GDP in the second quarter of 2010. According to the National Bureau of Statistics, China's nominal GDP grew from RMB31,404.5 billion in 2008 to RMB51,932.2 billion in 2012, representing a CAGR of 13.4%. Although China's GDP growth has slowed down since 2011, it is still one of the fastest growing economies in the world, with a relatively strong real GDP growth of 7.8% in 2012. The chart below sets out the nominal GDP and real GDP growth in China between 2008 and 2012.

Nominal GDP and Real GDP Growth in China, 2008-2012

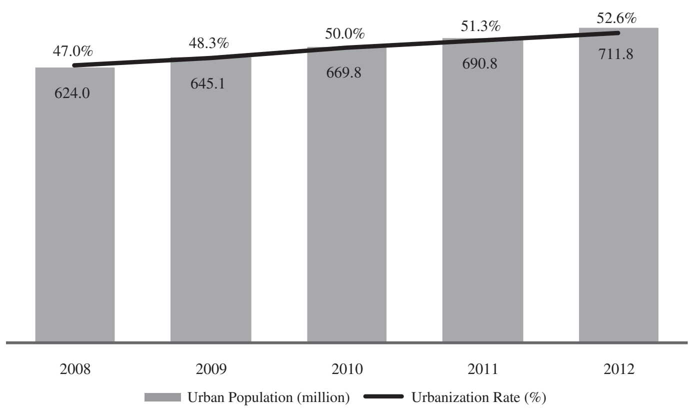


Source: National Statistics Bureau

Continued Rapid Urbanization

Driven by the strong economic development and the PRC central government's drive to improve living conditions in rural households, urbanization in China has accelerated steadily and is expected to continue. Based on data released by the National Bureau of Statistics, the urbanization rate in China has increased from approximately 47.0% in 2008 to 52.6% in 2012. In addition to contributing to the strong economic growth of China, urbanization has also led to a rise in rural household income, resulting from an increase in the number of rural residents working in cities, as well as a higher penetration of city culture and lifestyles in rural areas. The chart below sets out the urbanization rate in China between 2008 and 2012:

Urban Population and Urbanization Rate in China, 2008-2012

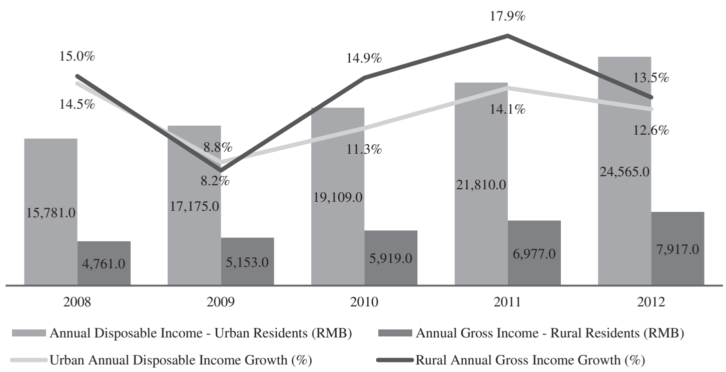


Source: National Statistics Bureau

Increasing Income of Urban and Rural Households

Due to steady economic growth and ongoing urbanization, annual income levels of both the urban and rural households have grown significantly. According to the National Bureau of Statistics, annual per capita disposable income increased from RMB15,781.0 in 2008 to RMB24,565.0 in 2012 for urban residents, representing a CAGR of 11.7%, and annual per capita gross income increased from RMB4,761.0 to RMB7,917.0 over the same period for rural residents, representing a CAGR of 13.6%. While annual income for rural residents has grown at a faster rate from 2008 to 2012, rural residents still significantly lag behind urban residents in terms of annual income. The chart below sets out the annual per capita income and growth rates for urban and rural residents in China between 2008 and 2012:

Annual Income for Urban and Rural Residents in China, 2008-2012



Source: National Statistics Bureau

China's continued economic growth provides a favorable market environment for cultivating domestic consumer demand. Moreover, the combination of increasing urbanization and disposable income level has resulted in the growth of China's middle and upper classes, both with a stronger purchasing power. These fundamental factors have led to growing expenditures on household needs, including death care related services, and have contributed to the vigorous growth of the PRC death care services industry.

OVERVIEW OF CHINA'S DEATH CARE SERVICES INDUSTRY

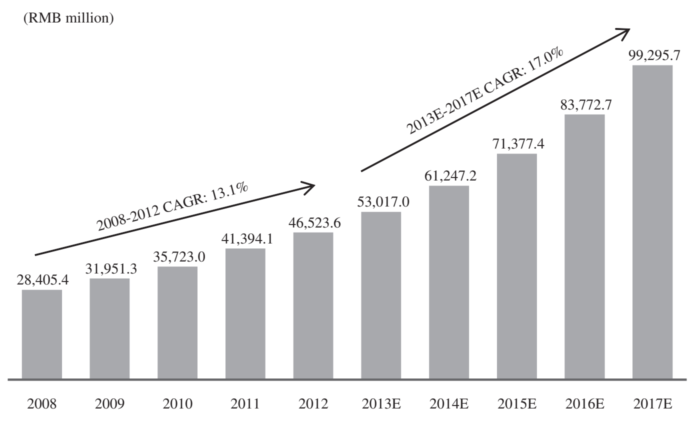
Funeral traditions and customs have been a special and important part of Chinese culture for over five thousand years. Funeral practices are rooted in culture and are a reflection of the country's moral values. Confucianism, which has strongly influenced Chinese culture for thousands of years, advocates the ethics of filial piety and respect for the elderly, which forms the core of traditional Chinese funeral traditions and practices. Filial piety is the most valued virtue in the Chinese culture, being the essence of their traditional values and a basic tenet of their societal morality. Filial piety is demonstrated through the care and support of the elderly while they are alive, and a proper funeral and burial when they have passed away. The importance of respect for the elderly preached by

Confucianism causes the Chinese to perform lavish, elaborate funerals for the deceased, which is highly valued culturally in China. Although funeral and burial practices in contemporary China have been greatly simplified, the traditional expectation of a lavish funeral and memorial of the deceased still resonates deeply with the Chinese.

China has had a wide variety of funeral and burial practices throughout its history including ground burial, cremation, sky burial, tree burial, burial at sea, and many others. These practices have changed as people's perception of death care services has evolved with cultural and economic changes. After the PRC was founded in 1949, while most funeral traditions continued to be practiced, cremations have become more widespread. The PRC death care services industry entered a new stage of development in the 1980's. While promoting cremation, the government transformed funeral management agencies into funeral services providers and started to offer people a wider range of services. This brought about the start of the contemporary and modern death care services industry in the PRC. Since then, the PRC death care services industry has experienced rapid growth and attracted the participation of an increasing number of private businesses due to its significant growth potential. Today, the organized and industrialized PRC death care services industry primarily serve urban residents and those seeking cremation, whereas the large number of rural residents and others looking for non-cremation options constitute the non-industrialized death care market.

According to China Funeral Association, China has the largest number of deaths in the world, totaling 9.7 million in 2012. Meanwhile, the cremation rate in China has remained stable at approximately 50%. In 2012, a total of 4.6 million of the deceased were cremated. With a growing number of deaths each year as a result of an aging population, the number of cremations is also on a steady rise, which is a major driver for the growth of the PRC death care services industry. The death care services industry in China has grown at a healthy CAGR of 13.1% between 2008 and 2012, and is projected to grow at an even faster CAGR of 17.0% between 2013 and 2017 due to favorable long term factors. The chart below sets out the historical and forecasted market value and growth of the PRC death care services industry.

Death Care Services Industry in China
Historical and Forecasted Market Value and Growth, 2008-2017E



Source: Euromonitor International

According to Euromonitor, the PRC death care services industry is considered to be one of the fastest growing in the world.

Market Segmentation of the PRC Death Care Services Industry

According to Euromonitor, the PRC death care services industry can be largely defined and categorized into the following segments:

Remains Disposal

Remains disposal refers to the disposal of dead bodies, which includes cremation services. Cremation services in China are only performed by government entities, with strict controls on pricing.

Burial Services

Burial services include (i) "ground burial and tomb sales", which refers to cremated ground burial related sales, including tomb sales, design and planning of tombs, and production and installation services of plaques and tombstones, and (ii) "other burial services", which refers to other forms of burial services, where cremains are buried under natural gravemarkers, such as fieldstones, trees and flower beds, or interred into walls in the cemeteries. The burial services segment is open to the private sector with high involvement from private sector companies.

Funeral Services

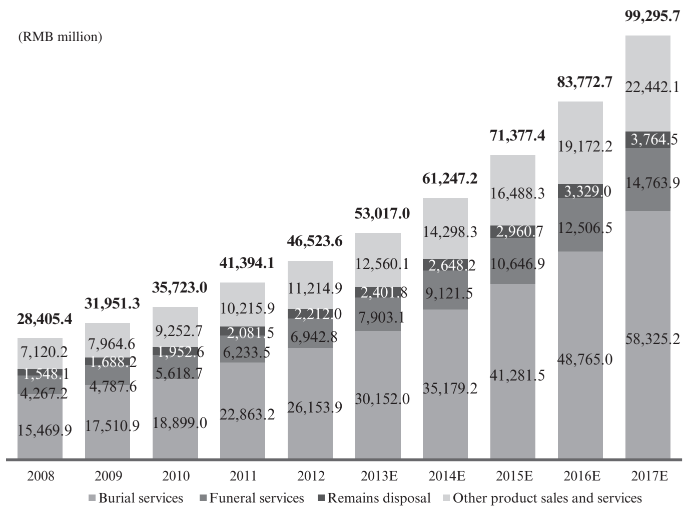
Funeral services include (i) "body handling, transfer and make-up", which refers to the actual handling, transportation and treatments (including body make-up and dressing) of remains, (ii) "funeral ceremony", which refers to the conducting of funeral rites, including other additional services relating to the ceremonies, and (iii) "mourning hall rental", which refers to the renting of mourning halls for the purpose of conducting funeral rites and memorial services. The funeral services segment is still primarily dominated by government affiliated entities. Participation of private sector companies in the funeral services segment is still restricted in many provinces.

Other Product Sales and Services

Other product sales and services refer to (i) "funeral services' product sales", and (ii) "all other death care services" provided by legally registered death care service providers that are not included in above categories and subcategories, such as post-burial memorial services.

The chart below sets out the historical and forecasted market size of the PRC death care services industry by segment between 2008 and 2017:

Death Care Services Industry by Segment
Historical and Forecasted Market Value and Growth, 2008-2017E



Segment	2008-2012 CAGR (%)	2013E-2017E CAGR (%)
Burial services	14.0%	17.9%
Funeral services	12.9%	16.9%
Remains disposal	9.3%	11.9%
Other product sales and services	12.0%	15.6%
Death Care Services Industry	**13.1%**	**17.0%**

Source: Euromonitor International

The burial services segment is the largest and fastest-growing segment in the PRC death care services industry. It generated RMB26.2 billion in revenues, representing 56.2% of the total market in 2012, and represented a CAGR of 14.0% for the period between 2008 and 2012. According to Euromonitor, burial services will continue to be the fastest-growing segment over the next five years, with a projected CAGR of 17.9% from 2013 to 2017, and is expected to expand to account for 58.7% of the PRC death care services industry by 2017. The funeral services segment, which is the second fastest growing segment, generated RMB6.9 billion in revenue in 2012, with a CAGR of 12.9% from 2008 to 2012, and accounted for 14.9% of the total market in 2012. Remains disposal and other product sales and services constituted 4.8% and 24.1% of the market in 2012, respectively, with a CAGR of 9.3% and 12.0% from 2008 to 2012, respectively.

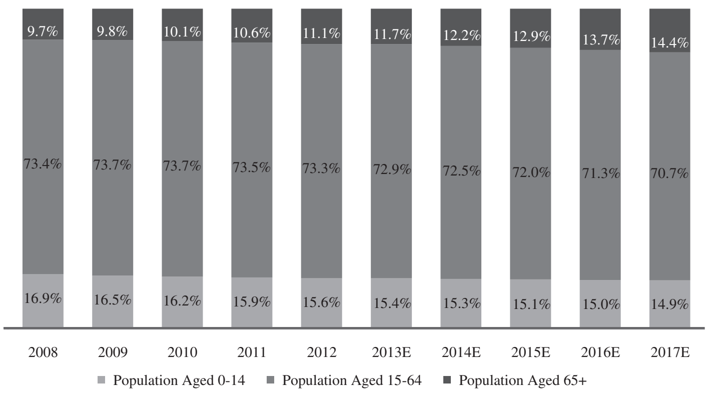
KEY DRIVERS OF THE PRC DEATH CARE SERVICES INDUSTRY

A Growing and Aging Population

With the largest population in the world and a growing base of elderly people, the PRC death care services industry has significant market potential and demand for burial and funeral services, which are anticipated to grow in China in the coming years.

According to Euromonitor, China has the largest population of elderly people and is expected to experience faster aging population growth in the forecasted period. The proportion of the population of China that is aged 65 years and above has been growing steadily and grew at a rate of 5.2% in 2012. Further, population aging is expected to continue and accelerate over the next five years. According to Euromonitor, the proportion of population aged 65 years and above is expected to increase from 11.1% in 2012 to 14.4% in 2017. The increase in the elderly population and subsequent deaths in the PRC provide positive market conditions for the death care services industry, which has enormous potential for faster growth. The chart below sets out the historical and forecasted population breakdown in China by age bracket between 2008 and 2017:

Population Breakdown by Age Brackets, 2008-2017E

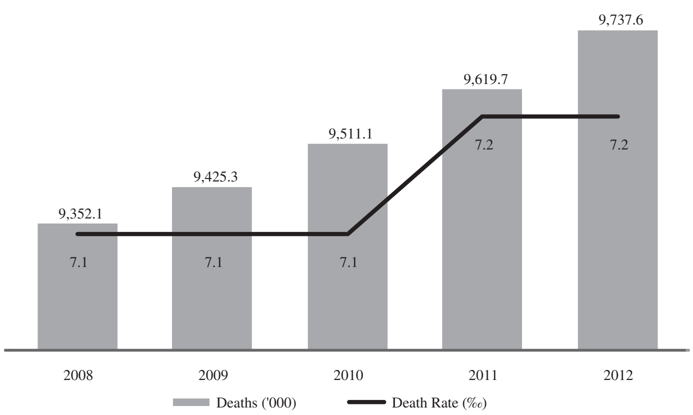


Source: Euromonitor International

Large Number of Deaths and Cremations

Because of the aging population, death rates have also shown an upward trend from 2008 to 2012, rising from 7.1‰ in 2008 to 7.2‰ in 2012. Moreover, according to China Funeral Association, China has the largest number of deaths in the world and thus has the largest potential consumer base for death care services. The number of deaths reached 9.7 million in 2012 and is expected to grow to 10.4 million in 2017. The chart below sets out the historical number of deaths and death rates in China between 2008 and 2012:

Number of Deaths and Death Rates in China, 2008-2012



Source: Euromonitor International

Most people living in urban areas in the PRC adopt cremation and China's cremation rate has been relatively steady over the past five years. With a stable cremation rate and a growing number of deaths each year in China, the number of cremations is expected to continue on a rising trend. The number of cremations rose from 4.5 million in 2008 to 4.6 million in 2012, with a cremation rate of 47.7% in 2012.

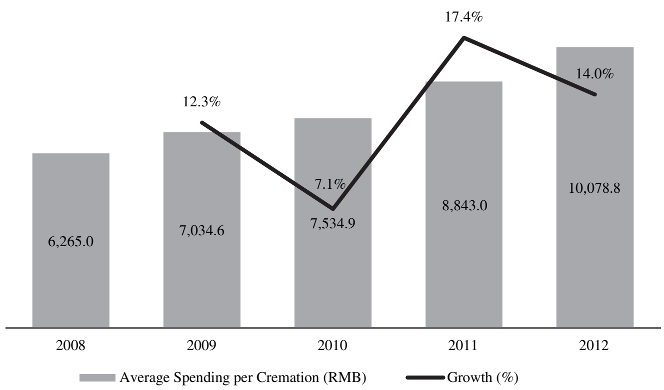
Upgraded Spending and Increasing Demand for Premium Services

Consumer demand for death care services have also diversified and become more personalized as people have gained a deeper understanding of the industry. To cater to the shifting consumer demands, death care service providers have introduced many new services to their offerings in recent years.

Over the last five years, funeral services have gradually moved from traditional basic services to new and innovative services, such as personalized arrangements for the mourning ceremony, utilizing a master of ceremonies and photographer for the ceremony, entertainment during the wake, and special decorations for the mourning hall. Such services have become important to an increasing number of consumers. Diversified and service-oriented funeral services have underscored the development of the industry and the improvement of service quality.

Most Chinese families remain under the influence of traditional Confucian thoughts concerning filial piety and respect for the elderly. With a constant rise in income levels, there are greater expectations for an elaborate funeral. This has translated into increased spending on death care services, in particular demand for premium services. The chart below sets out the historical average spending per cremation in China between 2008 and 2012:

Average Spending per Cremation in China, 2008-2012



Source: Euromonitor International. Average spending per cremation based on death care services industry size divided by number of cremations in China.

Private Death Care Services Providers Leading the Transformation of the Sector

Although the PRC death care services industry is still not a fully open market, private sector companies have emerged over the last two decades to operate cemeteries, funeral facilities and to offer a full-range of funeral services. These private death care services providers bring competition into the industry and drive state-run institutions to improve the quality of their services and help the development of the overall industry. Private death care services providers are typically better managed and are the frontrunners in innovation, offering well designed and landscaped cemeteries, as well as improving the overall service quality in the industry.

Given that prices for basic services are generally more standardized and stable, the offering of optional services has become a new revenue source for private sector companies. Consumers also have higher requirements for upscale and differentiated services, which have led to the birth of many related industries, such as urn making, funeral product manufacturing and funeral oriented florists. Many private companies are targeting these areas as new opportunities, creating a long and complete value chain, which results in more business opportunities within the death care services industry as a whole.

Natural, Ecological Burial Methods Drive New Growth

As consumers gain a better understanding of new burial methods, coupled with a general global shift in attitude towards being more environmentally friendly, there may be an increase in the popularity and acceptance of green and ecological burial practices. Moreover, in light of the finite supply of land for burial use, the government has and will continue to employ measures, such as providing subsidies for green burials, to encourage eco-friendly burials. With such business opportunities for eco-friendly burial services, cemeteries will launch eco-friendly burial services that are more personalized and more acceptable. The factors of government support and changing social mind-set will jointly drive the development of eco-friendly burials, which has huge potential for growth and is not constrained by the availability of land. Green, natural burial services have already grown in popularity in first-tier cities and certain second-tier cities in the PRC.

MARKET ENTRY BARRIERS

High Regulatory Barriers

The PRC death care services industry remains a highly regulated industry. The provision of funeral services is still primarily dominated by government affiliated entities, and while the cemetery business has been commercialized, there are many government-imposed restrictions and rules that set entry barriers. The approval and incorporation process is much more complicated for a private sector company attempting to enter the death care services industry than for a government-affiliated entity. Although the overall trend is for the PRC death care services industry to be deregulated and become more open, in the short term, it is still under the government's tight control, which will remain as a barrier to entry.

Limited Land Supply for Cemeteries

According to Euromonitor, the supply of land for use by cemeteries has been under tight control, as any application for such land use has to go through a series of approval processes from various government authorities. Limited supply of land and growing demand for ground burial sites have underscored recent hikes in tomb prices, which is expected to continue. Furthermore, due to factors such as limited land resources and the scarcity of land allocated to cemeteries, it is difficult for new players to enter the cemetery business, let alone obtain large areas of land in prime locations in first-tier and second-tier cities, particularly in established regions such as Shanghai.

Lack of Human Capital

For a long time, death care services industry employees have lived with social stigma due to the influence of thousands of years of feudal thinking. As a result, new death care employees are less educated and are often relatives or family members of those who are already in the industry. The industry generally lacks experienced professionals and well-educated workers, which had oftentimes led to delivery of unsatisfactory services. New entrants to the market will find it challenging to find employees who are both qualified and willing to take on positions in this industry.

Need for Established Sales Channels and Brand Recognition

Customers are more inclined to approach death care services providers that are known by people around them. Although some death care services providers carry out publicity on the internet, most customers are acquired through recommendations from people they know or through hospital recommendations. New entrants will face challenges as they try to build up their brand recognition and gain consumer awareness. In more mature regions, this will pose as an even bigger obstacle given the fierce competition and presence of well-established and recognized companies that have been in operation for years. The more discerning consumers with greater demands are also more likely to patronize well-known death care services providers as opposed to newly established ones.

COMPETITION IN THE PRC DEATH CARE SERVICES INDUSTRY

Private Sector Companies vs. State-Owned Companies

State-owned companies in the death care services industry predominantly occupy a substantial part of the market share. State-owned entities are mostly regional and typically offer only traditional and basic services, such as the transfer of the remains, ceremony arrangements, refrigeration of the remains, cremation, sales of urns, wreaths and other related products, and sale of burial lots. They are under the control of civil affairs agencies and tend to provide welfare services to meet the demand of low income families.

Unlike their state-owned counterparties, private sector companies have made strides in diversifying their services. As a result of offering more personalized and higher quality services, the price range of services offered by private death care service providers is generally wider than that of state-owned companies. The emergence of private sector companies in the industry has brought a large number of changes to the industry with regard to business models and management systems.

Highly Fragmented Death Care Services Industry

The death care services industry in China is highly fragmented on a nationwide scale with the vast majority of services providers being relatively small in size and having very limited brand recognition. The industry is likely to experience continuous fragmentation due to the increasing number of death care services providers in the market as the industry is still believed to be at its infancy. Unlike other industries, death care is mostly a regional business, as the majority of death care services providers tend to serve only local consumers. The combined market share of the top five players in 2012 only accounted for 3.1% of the death care services industry. According to Euromonitor, as of the end of 2012, our Company was one of the only few companies that operated in more than one location in the PRC.

Top 5 Death Care Services Providers in China, 2010-2012

Ranking	Company Name	Market Share 2010	2011	2012
1	Fu Shou Yuan	1.0%	1.0%	1.0%
2	Guangzhou Funeral Parlor	0.7%	0.7%	0.7%
3	Shanghai Longhua Funeral Parlor	0.6%	0.6%	0.6%
4	Shanghai Songheyuan Cemetery	0.4%	0.4%	0.5%
5	Shanghai Haiwan Qinyuan Co Ltd	0.4%	0.4%	0.4%
	Others	96.9%	96.9%	96.8%
	Total	**100.0%**	**100.0%**	**100.0%**

Source: Euromonitor. Market share calculated based on revenue of each company divided by total death care services industry size in China.

According to Euromonitor, our Company was the largest death care services provider in China in terms of revenue from 2010 to 2012, and is generally the only recognized nationwide death care services company with national brand awareness among industry members.

KEY SEGMENTS OF THE PRC DEATH CARE SERVICES INDUSTRY

Burial Services

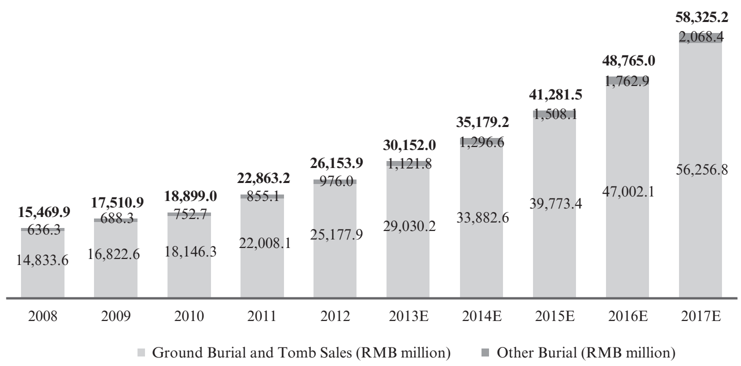
Overview

The burial services segment is the largest segment within the PRC death care services industry accounting for 56.2% market share in 2012 and is the key growth driver for the entire industry. Between 2008 to 2012, the burial services segment grew at a CAGR of 14.0% and reached RMB 26.2 billion in market size in 2012. Over the next five years, burial services is expected to grow at an even stronger CAGR of 17.9% and to account for 58.7% of the industry by 2017, due to consistent demand for traditional ground burial and tombs and the proliferation of other burial types.

Ground burial and tomb sales is the single largest component of the burial services segment, which accounted for 96.3% of the market size of this segment in 2012. Given the large number of deaths each year, demand for traditional ground burial tombs in large and mid-sized cities has far exceeded supply. As a result of the shortage of land resources and restrictions from burial land policies, tomb prices have been on the rise in recent years. Over the past five years, ground burial and tomb sales grew at a CAGR of 14.1% to reach RMB25.2 billion in 2012. Ground burial and tomb sales is expected to grow at a CAGR of 18.0% over the next five years and reach RMB56.3 billion in 2017.

The other component is "other burial", which refers to any other form of burial aside from ground burial, of which green and eco-friendly burials dominate. While ground burials have continued to be the mainstream option, other form of burials have gained momentum in recent years after the government actively promoted the use of green and eco-friendly burial methods for land conservation purposes. This component has grown at an annual rate of 11.3% in the last five years, although it is still a marginal market segment that accounted for only 3.7% of sales in 2012. Green and eco-friendly burial options are increasing in popularity and the public's acceptance of alternative burial types is increasing. Hence, the "other burial" component is predicted to maintain a significantly higher CAGR of 16.5% over the next five-year period and generate RMB2.1 billion in sales in 2017.

Burial Services
Historical and Forecasted Market Value and Growth by Subcategory, 2008-2017E



Segment	2008-2012 CAGR (%)	2013E-2017E CAGR (%)
Ground burial and tomb sales	14.1%	18.0%
Other burial	11.3%	16.5%
Burial Services	**14.0%**	**17.9%**

Source: Euromonitor International

Competition

The burial services segment is the largest segment in the death care services industry and is open to private sector companies. Cemeteries in China are classified into two groups, namely (i) public welfare or not-for-profit cemeteries and (ii) for-profit cemeteries. In recent years, the number of approvals for construction of for-profit cemeteries has decreased as local authorities in many regions started promoting alternative burial options to conserve land resources. This has therefore raised the entry barrier for newcomers which has resulted in less competition for the already established cemeteries. The market remains highly fragmented and competition remains localized. According to Euromonitor, the top five players accounted for a combined 3.9% of market share in 2012, with our Company being the largest death care services provider in the burial services segment in terms of revenue.

Top 5 Burial Services Providers in China, 2010-2012

		Market Share		
Ranking	**Company Name**	**2010**	**2011**	**2012**
1	Fu Shou Yuan	1.5%	1.5%	1.5%
2	Shanghai Songheyuan Cemetery	0.7%	0.7%	0.8%
3	Shanghai Haiwan Qinyuan Co Ltd	0.7%	0.7%	0.7%
4	West Shanghai (Group) Co Ltd	0.5%	0.5%	0.5%
5	Shanghai Zhizunyuan Industrial Development Co Ltd	0.5%	0.5%	0.5%
	Others	96.1%	96.1%	96.0%
	Total	**100.0%**	**100.0%**	**100.0**

Source: Euromonitor International. Market share calculated based on revenue of each company divided by total burial service market size in China.

Funeral Services

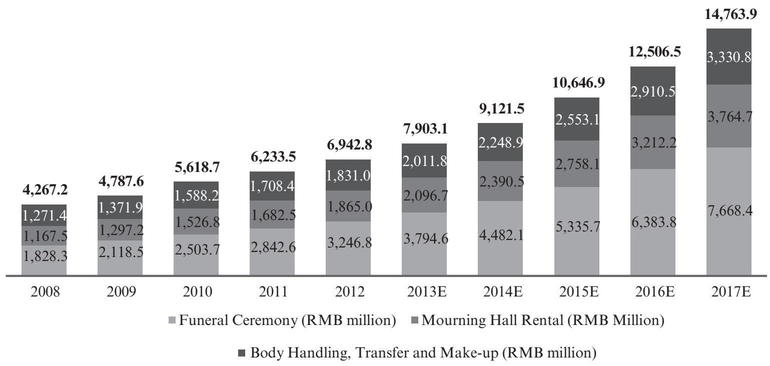
Overview

Revenue from funeral services grew at a CAGR of 12.9% since 2008 to reach RMB6.9 billion in 2012, accounting for 14.9% of China's death care services industry. Over the next five years, funeral services is expected to continue its strong growth momentum at a CAGR of 16.9%.

Funeral ceremony is the largest and fastest growing subcategory under funeral services, growing at a CAGR of 15.4% over the last 5 years to reach RMB3.2 billion in sales in 2012, which accounted for 46.8% of the market value of the funeral services segment.

The body handling, transfer and make-up, and mourning hall rental are the other two subcategories under funeral services segment, representing 26.4% and 26.9% of the total market value of the funeral service segment in 2012, respectively. These are generally considered basic, essential items of a modern funeral and the prices of these services are relatively stable, thereby contributing to a lower growth rate compared to the funeral ceremony subcategory.

Funeral Services
Historical and Forecasted Market Value and Growth by Subcategory, 2008-2017E



Segment	2008-2012 CAGR (%)	2013E-2017E CAGR (%)
Funeral ceremony	15.4%	19.2%
Mourning hall rental	12.4%	15.8%
Body handling, transfer and make-up	9.5%	13.4%
Funeral Services	**12.9%**	**16.9%**

Source: Euromonitor International

Competition

During the 2010-2012 period, four of the top five funeral services providers were regional state-run funeral parlors, reflecting the dominance of state-owned companies in the PRC funeral services market. The only funeral services provider from the private sector making it into the top five was our Company.

Top 5 Funeral Services Providers in China, 2010-2012

Ranking	Company Name	Market Share 2010	2011	2012
1	Guangzhou Funeral Parlor	4.4%	4.4%	4.5%
2	Shanghai Longhua Funeral Parlor	3.8%	3.9%	4.0%
3	Shanghai Baoxing Funeral Parlor	1.6%	1.6%	1.6%
4	Fu Shou Yuan	1.3%	1.3%	1.3%
5	Shanghai Yishan Funeral Parlor	1.1%	1.1%	1.1%
	Others	87.8%	87.7%	87.5%
	Total	**100.0%**	**100.0%**	**100.0%**

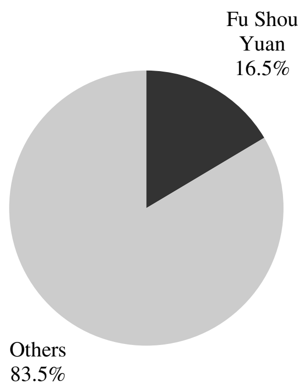
Source: Euromonitor International. Market share calculated based on revenue of each company divided by total funeral services market size in China.

Competition in Chongqing

Chongqing is one of the most developed regional markets within the funeral services segment, with a market size of RMB260 million in 2012, according to Euromonitor. The region is characterized by the local tradition of keeping a three-day wake, which leads to a higher demand for farewell ceremony services and mourning hall rentals than in other parts of China. Given that local state-owned funeral service providers have generally been unable to satisfy the increasing demands of customers, there has been an increasing number of private companies entering the region to fill the supply gap. According to Euromonitor, our Company is the largest funeral services provider in Chongqing with a market share of 16.5% in 2012. Our Company's relatively higher quality of services and modern ideas have helped transform local customers' notions of funerals. In the future, more customers in the region are expected to shift away from traditional funeral service towards more personalized services, promoting the growth of the premium segment. The municipal government of Chongqing aims to further open the market to introduce more private companies into the industry, increasing the competition, fostering a regulated marketplace and improving the quality of services. The below chart sets out our Company's funeral services industry market share in Chongqing:

Fu Shou Yuan — Market Share in Chongqing, 2012

Funeral Services Segment



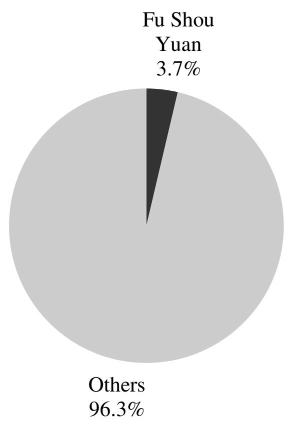
Source: Euromonitor International. Market share calculated based on company's revenue of respective segment divided by the total respective segment market size.

Competition in Anhui

Currently, funeral services providers in Anhui are mainly operated by government-affiliated entities. The funeral services industry in Anhui is still in a relatively early stage of commercialization. The majority of funeral services providers in Anhui remains small-scale and only operates in its locality. As urbanization accelerates and income levels rise in Anhui, an increase in demand for more comprehensive funeral services is expected, which will require large-scale companies with capacity for industry integration. Hefei, as the capital city of Anhui, shares a similar competitive landscape. According to Euromonitor, our Company is the largest funeral services provider in Hefei and also a leading player in Anhui with a market share of 3.7% in 2012, and is positioned to lead industry standards in the region. The below chart sets out our Company's funeral services industry market share in Anhui province:

Fu Shou Yuan — Market Share in Anhui, 2012

Funeral Services Segment



Source: Euromonitor International. Market share calculated based on company's revenue of respective segment divided by the total respective segment market size.

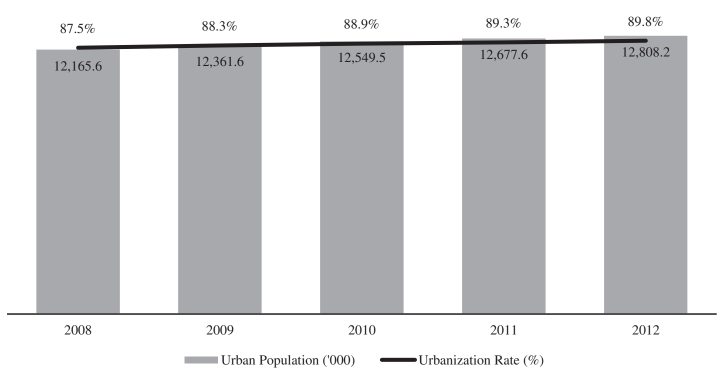
OVERVIEW OF SHANGHAI'S DEATH CARE SERVICES INDUSTRY

The first modern cemetery in Shanghai was constructed in 1844, which marked the beginning of Shanghai's organized death care services industry. Shanghai is the frontrunner in the PRC death care services industry due to its economic prowess, geographical location and cultural openness. The regional death care services industry in Shanghai is one of largest and most important in China. The death care services industry in Shanghai accounted for 10.4% of the PRC death care industry, in value terms, in 2012.

Prices of funeral products and services in Shanghai are relatively transparent and funeral services offered tend to be of high quality and of a diverse range. Some sophisticated death care services providers offer personalized or customized services such as venue arrangements and headstone design. There were 15 funeral parlors/facilities (including crematoriums), 44 for-profit cemeteries, ten columbariums, and one company specializing in ash-scattering-at-sea services in Shanghai at the end of 2012. There were 11 state-level funeral parlors/facilities and 11 state-level cemeteries in Shanghai at the end of 2012. Leading funeral parlors/facilities and cemeteries in Shanghai excel both in size and quality of services.

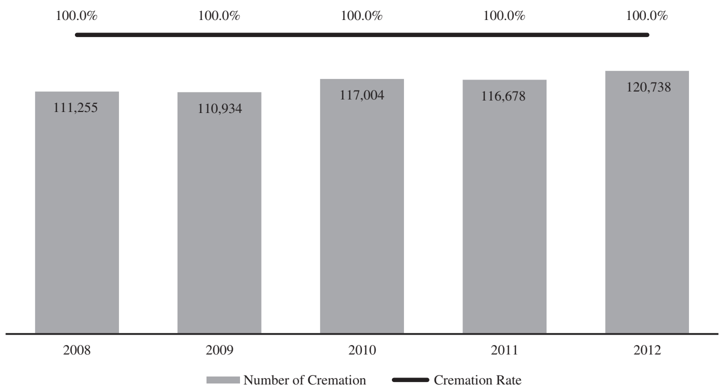
The nominal GDP in Shanghai grew by a CAGR of 9.3% from 2008 to 2012 and reached RMB2 trillion at the end of 2012. Although GDP growth in Shanghai was slower than some other regions in China, the size of its GDP was among the top. The population of its registered residents also increased over the last few years to reach 14.3 million at the end of 2012. The proportion of population aged 60 and above in Shanghai has been increasing, representing 25.7% of its population of registered residents in 2012. Shanghai is the most urbanized city in China, with an urbanization rate of 89.8% as of the end of 2012, and its cremation rates have remained 100% for the past five years.

Urban Population and Urbanization Rate in Shanghai, 2008-2012



Source: Euromonitor International

Number of Cremations and Cremation Rates in Shanghai, 2008-2012

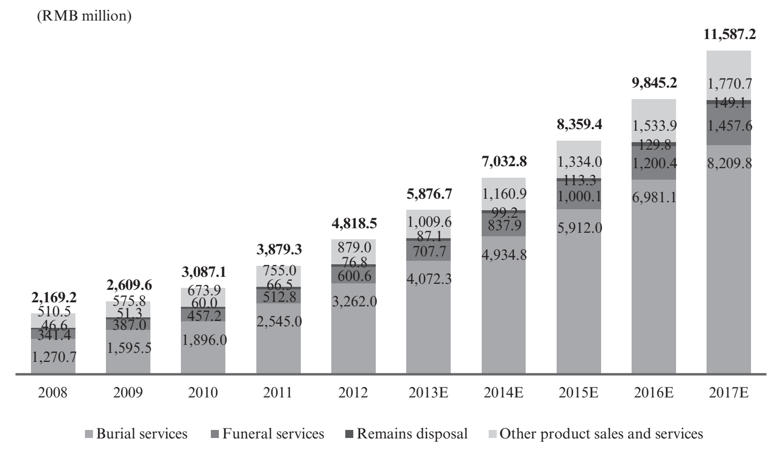


Source: Euromonitor International

Due to the factors described above, the regional death care services industry in Shanghai has been growing steadily and has expanded from 2008 to 2012 at a CAGR of 22.1%, considerably higher than the overall industry CAGR of 13.1% across China. The regional market in Shanghai was worth RMB4,818.5 million in 2012, representing 10.4% of the PRC death care services industry. The burial services segment was the largest segment accounting for 67.7% of the total regional market in 2012. It was also the fastest growing segment, with a CAGR of 26.6% from 2008 to 2012.

The large number of local deaths, scarce land reserves, and the limited grave supply underscored the rapid growth of burial services prices in Shanghai. With a robust economy, increasing disposable income, continued aging of population and scarcity of cemetery land in Shanghai, the death care services industry in Shanghai is projected to continue its strong growth momentum.

Death Care Services Industry in Shanghai
Historical and Forecasted Market Value and Growth, 2008-2017E

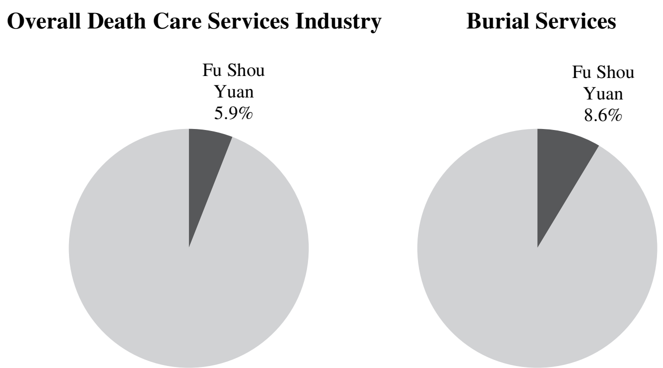


Source: Euromonitor International

Segment	2008-2012 CAGR (%)	2013E-2017E CAGR (%)
Burial services	26.6%	19.2%
Funeral services	15.2%	19.8%
Remains disposal	13.3%	14.4%
Other product sales and services	14.6%	15.1%
Death care services in Shanghai	**22.1%**	**18.5%**

The death care services industry in Shanghai is very competitive with high barriers to entry. Existing players are very established and have operated for many years. Also the land designated for cemetery use in Shanghai is scarce. These factors make it very difficult for new players to enter the Shanghai market. Moreover, Shanghai's death care services industry has seen trends of premiumization and brand building, creating additional new barriers for new entrants to the business. According to Euromonitor, our Company is the largest player in the Shanghai death care services industry. The below chart sets out our Company's market share in Shanghai in different segments:

Fu Shou Yuan — Market Share in Shanghai, 2012



Source: Euromonitor International. Market share calculated based on company's revenue of respective segment divided by the total respective segment market size.

REGULATIONS OF THE PRC DEATH CARE SERVICES INDUSTRY

Funeral Industry Related Laws

PRC Regulations on the Administration of the Death Care Services Industry《殯葬管理條例》

The PRC Regulations on the Administration of the Death Care Services Industry (the "**Administration Regulations**") came into effect on July 21, 1997 after promulgation by the PRC State Council. On November 9, 2012, amendments were issued that stated the following:

The MCA under the State Council is responsible for funeral and burial administration in the PRC. The Civil Affairs Bureau of the local governments at or above the county level are responsible for funeral and burial administration in their respective jurisdictions.

- The construction of funeral parlors and crematoriums is to be proposed by the local Civil Affairs Bureau at the county level, and is subject to the approval of the local Civil Affairs Bureau at the same level.

- The construction of cemeteries is to be approved and agreed upon by the local Civil Affairs Bureau at the county level, and is subject to the approval of its counterparts at the administrative level of provinces, autonomous regions and municipalities.

No institution or individual may establish any funeral and burial facility without prior approval from the designated authorities.

Where funeral and burial facilities are constructed without approval, the Department of Civil Affairs shall, in conjunction with the departments of construction administration and land administration, ban the same, order the restoration of the site to its original condition, confiscate illegal gains, and may concurrently impose a fine of between 100% and 300% of the illegal gains.

Funeral services institutions shall strengthen the administration of funeral service facilities, renew and transform outmoded cremation equipment and prevent environmental pollution[1].

Staff providing death care services are required to conform to operational procedures and professional ethics, and may not avail themselves of any monetary or material benefits that may become available to them during the course of their services. Failure to comply with this regulation may result in the forfeiture of any improper benefits and criminal liability.

[1] See Article 12 of the Administration Regulations.

PRC Local Funeral Management Measures

(i) Measures for Funeral Management of Hefei City, effective from June 15, 2002

The Measures impose the regulations on purchase sales of cemeteries to Specified Living Purchasers and on the size and period of use of graves, respectively as follows:

To purchase a tomb one must provide a Cremation Certificate issued by a funeral parlor. The sale of tombs built prior to death is prohibited except for tombs reserved for the spouse of a deceased. Caves (grids) are not transferable. Illegal cave (grid) trading is prohibited.

A single tomb should cover an area of less than 0.7 square meters, while a double tomb shall cover less than 1 sq.m.

The term of use of a commercial cemetery ash tomb, ash hall (pagodas, walls) and cave (grid) shall not exceed 20 years. If use is required to be renewed after expiration of this period, relevant renewal formalities and fees must be completed prior to renewal in compliance with applicable rules.

If a party sells caves (grids) without a Cremation Certificate, thereby violating the above provisions, the civil affairs department shall order rectification and shall impose a fine of between RMB10,000 and RMB30,000. Where a tomb covers a land area larger than the maximum area specified herein, the civil affairs department shall order rectification, confiscate illegal income and impose a fine of one to three times of the amount of illegal income.

(ii) Measures for Funeral Management in Henan Province, effective from December 1, 1999, and amended on November 26, 2004

The Measures stipulate that the land area occupied by a cemetery shall be restricted. A single tomb or double tomb for ashes shall cover an area of less than 1 square meter, while a single tomb for remains shall cover less than 4 sq.m. and up to 6 sq.m. for a double tomb in which corpses are buried.

A cemetery shall not collect tomb management fees in lump sum for a service term of more than 20 years, and such fees shall be used only for the management, maintenance and landscaping of the cemetery.

(iii) Measures for Funeral Management in Jinan City, effective from September 21, 1999, and amended on February 20, 2006

The Measures provide that to purchase cremation plots or ash halls, the purchaser must provide a cremation certificate and sign a purchase contract. The purchaser shall only store ashes in cremation plots and ash halls within their assigned plots and shall not change positions or patterns, or otherwise expand the base of, or add other features to cremation plots and ash pagodas. Graves, cremation plots and ash halls are not transferable. Any violation will be subject to a fine of between RMB200 and RMB1,000.

A single-tomb shall cover an area of less than one square meter, while a double tomb shall cover less than 1.2 sq.m.. The height of a gravestone shall not exceed 0.8 meters. The tombs of minorities should cover an area less than 4 sq.m. and the tomb height should be less than 1 meter. Any violation will be subject to a fine of between RMB1,000 and RMB10,000.

Regulations on Death Care Services for Foreign Investments

Under the 2002 Foreign Investment Guidance Provisions (《指導外商投資方向規定》) promulgated by the State Council and the 2011 Directory of Foreign-Invested Industries (《外商投資產業指導目錄》) promulgated by the MOFCOM and National Development and Reform Commission, foreign investment in death care services is allowed and the death care services industry is not a restricted or prohibited category of business.

Based on the Administration Regulations, the construction of funeral and burial facilities with foreign investment is subject to the examination, verification and consent of the Civil Affairs Bureau of the local government in the relevant provinces, autonomous regions and municipalities, and then examination and approval by the State Council's MCA.

However, as stipulated by the Directive of the State Council on the Revocation and Delegation of the Administrative Levels for Examination and Approval《關於第五批取消和下放管理層級行政審批項目的決定》(國發[2010]21號) (issued on July 4, 2010) (the "**Directive**") and the Circular of the General Office of the Ministry of Civil Affairs on Issues Concerning the Regulation of Examination and Approval Authority Over the Construction of Foreign-Invested Burial Facilities《民政部辦公廳關於規範利用外資建設殯葬設施審批權限問題的通知》 (issued on September 6, 2010) (the "**Circular**"), since July 4, 2010, the examination and approval authority for the construction of foreign-invested funeral and burial facilities has been delegated by the national authorities to the local level, the same level of approval required in Article 8(1) of the Administration Regulations for approval of a domestic invested funeral and burial facility.

As such, the Administration Regulations, the Directive and the Circular are inconsistent with respect to the appropriate approval authority for foreign investment in this industry. As set out in a written confirmation issued by the MCA dated October 22, 2013, pursuant to the Directive, since July 4, 2010, the approval authority for the construction of foreign-invested funeral and burial facilities shall be the same as that required in Article 8(1) of the Administration Regulations, and therefore, foreign-invested funeral and burial facilities shall be subject to the approval of the Civil Affairs Bureau of the local government in the relevant provinces, autonomous regions and municipalities. As advised by our PRC legal advisors, the MCA is a competent authority to issue such confirmation, since it is responsible for drafting the administrative policies on funeral and cemetery related issues and giving guidance to funeral service entities. Our PRC legal advisors are of the opinion that, based on the written confirmation issued by the MCA, the Directive and the Circular will prevail over the Administration Regulations so that foreign investment in the death care services industry requires approval at the local level rather than at the state level. Our PRC legal advisors also confirmed that the Social Affairs Department of the MCA, an authority administered by the MCA, is a competent authority to provide confirmation in this respect.

Cemetery Regulations

Provisional Measures on Cemetery Administration (Ministry of Civil Affairs No.(1992) 24) effective from August 25, 1992

Under these measures, cemeteries are classified into cemeteries for public welfare and commercial cemeteries. Public welfare cemeteries provide burial places for rural communities. Commercial cemeteries provide burial places for urban communities. Construction of cemeteries may take place on barren hills and wasteland, but not occupy arable land, scenic areas or near reservoirs, lakes, rivers, roadsides or railway embankments.

Cemetery land is owned by the state or national collectives and such land cannot be transferred or purchased without authorization of the relevant government authority.

The cemetery enterprises must establish cemetery management agencies or employ full-time management personnel to take charge of the construction, management and maintenance of the cemetery according to the size of the cemetery.

Management fees charged by a commercial cemetery should cover no more than 20 years of service.

A public cemetery may not, without approval from the relevant government authority, engage in funeral business.

Commercial cemeteries may charge, grave rental fees, construction material fees, burial fees and grave protection and management fees.

Regulations of the Shanghai Municipality on Administration of Cemeteries

Shanghai Municipal Government issued the Regulations on Administration of Cemeteries to reinforce the administration of cemetery.

The cemetery operator must then present the certificate to the local Administration of Industry and Commerce and apply for a business license. Death Care Services Certificates must be renewed yearly upon annual examination by the local Civil Affairs Bureau. No entity may engage in any cemetery related business without a valid Death Care Services Certificate.

Notice on Sales of Grave Plots by Commercial Cemeteries to Specified Living Purchasers (issued by the Shanghai Municipal Civil Affairs Bureau)

Sales of grave plots by commercial cemeteries are confined to the following categories of purchasers: (i) living spouses of the deceased; (ii) elderlies without dependants; (iii) the terminally ill; (iv) parents requesting co-burial with unmarried children; (v) overseas residents, and residents of Hong Kong, Macao or Taiwan; and (vi) those over the age of 80.

Pre-need purchase of burial plots in other provinces that the Group operates in

Hefei allows the pre-need purchase of burial plots by living spouses of the deceased. In provinces where there is no specific regulation, a guidance issued by the MCA in 2009 required that pre-need purchases should be made subject to pre-conditions. The conditions are that customers (i) must fulfill a minimum prescribed age, depending on locality; (ii) must be terminally ill; and (iii) who require pre-need death care services to be buried next to a deceased spouse.

Regulations of Chongqing Municipality on the Administration of the Death Care Services Industry effective from September 1, 1998

The size of cemeteries and grave areas as well as the period of use of graves is strictly limited. The size of a single grave pit for ashes must not exceed 1 sq.m., the size of a single grave pit for remains must not exceed 4 sq.m.; and the size of a double grave pit for remains must not exceed 6 sq.m.

The period of use of a grave must not exceed 20 years and must be renewed thereafter.

Price Controls

According to the PRC Price Law that came into force on May 1, 1998, prices for goods and services are divided into three categories:

- Market pricing — pricing determined by market forces;
- Guided pricing — pricing determined by the company and approved by the local pricing authorities; and
- Fixed pricing — pricing determined by the government without company input.

The PRC Government has the power to enforce guided and fixed pricing when it considers it socially beneficial.

On March 22, 2012, the National Development and Reform Commission ("**NDRC**") and the MCA together issued the Directive Opinions on Further Strengthening the Management of Funeral and Burial Service Pricing Regulations (FaGai Pricing [2012]673) 國家發展改革委、民政部關於進一步加强殯葬服務收費管理有關問題的指導意見(發改價格[2012]673號), which further ascertained the pricing policy for death care services as follows:

Reasonably differentiate the nature of the services offered

Death care services shall be classified into two types: basic services and derivative services (optional services). Basic services cover transportation of remains (including carriage and disinfection), storage of remains (including refrigeration), cremation and deposit of remains, and related services. Local authorities shall reasonably ascertain the scope of basic services, depending on local circumstances, to ensure satisfaction of the basic needs of local people.

Provided that a sufficient supply of basic services is available to satisfy the needs of the general public in terms of size and quality, funeral and burial units may develop derivative services. Derivative services refer to special services selected by customers other than basic services. These services may include embalming and preservation, rental of condolence areas and equipment, and related services.

Strengthen pricing regulation of death care services

Pricing of basic services shall apply fixed pricing, which shall be standardized and determined by the local pricing administration and other relevant authorities. Pricing shall be based strictly on cost monitoring, review and investigation, and the nonprofit principle. Fixed pricing shall take into consideration local financial subsidies and may be adjusted from time to time.

Pricing of the derivative services that are closely related to basic services shall apply guided pricing, which can be included in the local pricing schedule and set at the local level depending on local market conditions.

Strengthen the guidance of goods used in funerals

Pricing of goods used in funerals such as cinerary casket, grave clothing, wreaths and related items shall apply guided pricing. Such pricing may be included in the local pricing schedule and delegated to the local government, depending on local market conditions.

Standardize cemetery pricing

Pricing for non-profit cemeteries for public welfare shall apply fixed pricing, which shall be standardized and determined by the local pricing administration together with other relevant authorities. Such pricing shall be based strictly on cost monitoring, review and investigation, the non-profit principle and the principle of universal affordability.

Pricing for other cemeteries shall apply market pricing set by business operators subject to strengthened guidance and regulations. However, pricing intervention and regulation by the government shall be conducted as the law permits if necessary to curb unreasonable pricing.

Pricing for cemetery maintenance and management shall apply fixed pricing. If the terms of the contract for use of a burial plot expires and a renewal is applied for, the cemetery operation units shall charge cemetery maintenance and management fees, which shall be included in the local pricing schedule applying guided pricing in cooperation with the local pricing administration. The pricing thereof shall be ascertained by calculation of actual costs and reasonable profits incurred for maintaining and managing cemeteries at the local level.

According to the PRC Price Law, if operators do not apply government-guided pricing or government-fixed pricing when required, any illegal gains will be confiscated and a penalty of up to 500% of the illegal gains will be imposed. A fine may be imposed even if there is no illegal gain. In case of a serious breach of the PRC Price Law, the relevant authorities shall suspend the business pending remedy[2].

Environmental Protection and Hygiene Standards

Regulations on the Environmental Protection of Construction Projects《建設項目環境保護管理條例》

According to the Administration Regulations, construction of funeral-related facilities, which mainly refers to crematoria, shall comply with the requirements specified in the Administrative Regulations on the Environmental Protection of Construction Projects promulgated by the State Council on November 29, 1998.

These requirements include the requirement that environmental impact assessments be conducted to evaluate the impact of construction on the environment, as well as the requirement that environmental protection facilities be constructed, installed and operated at the same time that funeral-related facilities are being constructed.

Notice on Architectural Standards for the Construction and Design of Funeral Parlors《殯儀館建築設計規範》

On October 28, 1999, the Ministry of Construction and the MCA jointly promulgated the Notice on Architectural Standards for the Construction and Design of Funeral Parlors (the "**Notice**"). The Notice serves as the industry standard and regulates factors such as location, layout, architectural design and fire prevention of funeral parlors. The Notice also addresses economy and suitability concerns as well as environmental protection, hygiene, lighting and ventilation requirements.

Foreign Investment Related Laws

Enterprises

1997 Partnership Enterprise Law of the People's Republic of China《合夥企業法》

Two types of partnerships are permitted under the *Partnership Enterprise Law* (the "**PEL**"): (i) a general partnership and (ii) a limited partnership. Partnerships may be established by natural persons, legal persons or other organizations within China.

A general partnership enterprise consists of general partners who are jointly and severally liable for the debts of the partnership unless otherwise stipulated in the PEL.

2 See Article 39 of the PRC Price Law.

A limited partnership enterprise consists of both general partners and limited partners. The former are jointly and severally liable for the debts of the partnership, and the latter are liable for the debts of the partnership only to the extent of their respective capital contributions. Partnership business shall be conducted only by general partner(s).

Wholly state-owned companies, state-owned enterprises, listed companies, public welfare-oriented institutions or social groups may not act as general partners of a limited partnership.

The profit distribution or loss allocation of a partnership must be handled in accordance with the terms of the partnership agreement. If no applicable terms exist or if the terms are unclear, allocation shall be made after consultation and agreement among the partners. If no resolution can be reached through consultation, allocation shall be executed by the partners according to the proportion of actual payment of their respective capital contributions. Where no such proportion can be determined, the partners shall enjoy equal rights to allocations. The partnership agreement may not stipulate that all profits must be distributed to only some of the partners or that all losses must be borne by only some of the partners.

2010 Administrative Measures for the Establishment of Partnership Enterprises in China by Foreign Enterprises or Individuals《外國企業或者個人在中國境內設立合夥企業管理辦法》

The Administrative Measures for Foreign Enterprises and Individuals Establishing Partnership Enterprises in China issued earlier by the State Council became effective on March 1, 2010. The Measures allow foreign investors to establish partnership enterprises in China.

Foreign enterprises or individuals shall, when establishing partnerships in China, apply for registration of their establishment with the local Administrative of Industry and Commerce (the "**AIC**") authorized by the State Council (hereinafter referred to as the "**Enterprise Registration Authorities**"), through a delegate jointly appointed by or an agent jointly entrusted by all of the partners.

Where an Enterprise Registration Authority grants registration, it shall provide registration details to the local commerce department at the same administrative level.

Foreign enterprises or individuals shall comply with other relevant statutes, administrative rules and regulations, and industrial policies related to foreign investment.

1986 Wholly Foreign-Owned Enterprise Law (amended in 2000) and 2001 Practice Notes on the Law of Wholly Foreign-Owned Enterprises《外資企業法》及《外資企業法實施細則》

The power to supervise the distribution of dividends by WFOE is based primarily on the 1986 *Wholly Foreign Owned Enterprise Law*, as altered by the 2000 amendments and the Practice Notes.

A WFOE operating in the PRC can only distribute its dividends (if any) from after-tax profits as calculated in accordance with the Chinese Accounting Standards and Rules and Regulations. A WFOE operating in the PRC is required to retain a minimum of 10% of its after-tax profits as a reserve fund until the cumulative reserve fund reaches 50% of the WFOE's registered capital. In addition, a WFOE shall retain certain percentages of after-tax profits for bonus and welfare funds for employees, and such percentages can be determined by the WFOE itself.

A WFOE shall not distribute any profits until any losses for prior fiscal years have been made up.

New M&A Regulations and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, namely, the MOFCOM, the SASAC, the SAT, the SAIC, the China Securities Regulatory Commission ("**CSRC**"), and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, "**New M&A Rules**"), which became effective on September 8, 2006 and was amended by MOFCOM on June 22, 2009. The New M&A Rules require, among others, that, if any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, then the acquisition must be submitted to MOFCOM, rather than local regulators, for approval. In addition, the New M&A Rules require that any listing on an overseas stock exchange of an offshore special purpose vehicle, or the SPV, directly or indirectly controlled by any PRC domestic company or citizen is subject to the CSRC's approval.

Foreign Exchange

The lawful currency of the PRC is the RMB, which is subject to foreign exchange controls and is not freely convertible into foreign exchange as at the date of this prospectus. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise that used foreign currency in the normal course of its operations was required to obtain a quota from the local SAFE office before it could convert RMB into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate set up by SAFE on a daily basis. RMB could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for and supply of the foreign currency and the RMB requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain approval in advance from SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (人民銀行關於進一步改革外匯管理體制的公告), which became effective on January 1, 1994 was repealed on September 28, 2009. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of RMB for current account items, the establishment of the settlement and payment system of foreign exchange by banks, and the unification of the official RMB exchange rate and the market rate for RMB established at swap centers.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on the Administration of Foreign Exchange (中華人民共和國外匯管理條例) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 1, 2008. This regulation classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval, but the conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investments, require prior approval from SAFE or its local counterparts. Payments for transactions that take place within the PRC must be made in RMB.

On June 20, 1996, the PBOC promulgated the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (結匯、售匯及付匯管理規定), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On July 21, 2005, the PBOC announced that, from July 21, 2005, China would implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The RMB exchange rate would no longer be pegged to the US dollar. The PBOC would announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the RMB on the following business day.

On August 29, 2008, the General Department of SAFE issued the Notice of the General Affairs Department of SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), which aims at strengthening the administration of payment and settlement of foreign exchange capital of foreign invested enterprises. The notice requires that: (i) the capital verification of a foreign invested enterprise be conducted by accountants before the foreign invested enterprise applies for the payment and settlement of foreign currency capital; (ii) the RMB proceeds converted from the foreign invested enterprise's foreign currency capital be used within the approved business scope and unless otherwise regulated, such proceeds shall not be invested in domestic equity interest. Other than FIREEs, foreign invested enterprise shall not use RMB proceeds converted from its foreign exchange capital to purchase domestic properties for third party use; and (iii) RMB proceeds converted from foreign invested enterprises' foreign currency capital shall not be used to repay unused RMB loans.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment ("**Circular 59**") (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), which became effective on December 17, 2012. It substantially amends and simplifies the current foreign exchange procedure. The major developments under Circular 59 are the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account) no longer require the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of Circular No. 59, reinvestment of RMB proceeds by foreign investors in China no longer requires SAFE approval or verification, and remittance of foreign exchange profits and dividends by a foreign invested enterprise to its foreign shareholders no longer requires SAFE approval.

Dividend Distribution and Remittance

The principal PRC regulations governing the distribution of dividends by our PRC subsidiaries are: (i) PRC Company Law became effective on January 1, 2006, and amended in 1999, 2004 and 2005; (ii) the Foreign Invested Enterprise Law of the PRC (中華人民共和國外資企業法) as amended in 2000 and its Implementation Regulation amended in 2001; and (iii) the Chinese-foreign Equity Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法), as amended in 1990 and 2001 and its Implementation Regulation amended in 1986, 1987 and 2001.

Under these PRC laws and regulations, our subsidiaries in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a subsidiary in China is required to set aside at least 10% of its after-tax income each year, if any, to fund a reserve fund until the accumulated reserve amounts to 50% of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund or discretionary common reserve from its after-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends.

For overseas remittance of the current year's dividends, a WFOE is required, under the Circular on Issues Concerning Outward Remittance of Profit, Stock Dividends and Stock Bonuses Processed by Designated Foreign Exchange Banks (國家外匯管理局關於外匯指定銀行辦理利潤、股息、紅利匯出有關問題的通知) which was issued on September 22, 1998 and amended on September 21, 1999, to submit the following documents to a designated foreign exchange bank: (i) proof of tax payment and tax returns (WFOEs enjoying tax reductions or exemptions shall provide certification of tax reduction and exemption issued by the local tax authorities); (ii) an auditor's report on the profit and dividend situation for the current year issued by an accounting firm; (iii) the resolutions of the board of directors relating to dividend distribution; (iv) the foreign invested enterprise's foreign exchange registration certificate; (v) the capital verification report issued by an accounting firm; and (vi) other documents as may be required by SAFE.

In addition, for overseas remittance of the preceding years' dividends, such WFOE shall appoint an accounting firm to conduct an audit for the year(s) in which the dividend-related profits were generated and shall present the auditor's report to the bank as a required supplemental document.

In the case of foreign invested enterprises, the registered capital of which has not been fully paid-up in accordance with the joint venture contract and/or articles of association, the dividends in foreign currency may not be remitted out of the PRC. If there are special circumstances under which the registered capital cannot be contributed within the time limit as specified in the joint venture contract and/or articles of association, the foreign invested enterprise shall apply for approval with the original approving authority. With the approval of the original approving authority and the above-mentioned required documents, the dividends in foreign currency can be remitted out of the PRC in proportion to the paid-up registered capital.

Regulations Relating to Employee Stock Options

Pursuant to the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (個人外匯管理辦法實施細則) promulgated by SAFE on January 5, 2007 and effective on February 1, 2007, and the Notice of the SAFE on Issues concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) promulgated on February 15, 2012 and coming into force on the same day, PRC citizens who are granted shares or share options by an overseas listed company under its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company by which the employee is employed, to collectively entrust a domestic agency to handle matters such as foreign exchange registration, account opening, funds transfer and remittance.

Initial Foreign Exchange Registration

A FIPE must undergo foreign exchange registration with the competent authorities of foreign exchange, presenting the relevant documents (a detailed documents list is specified in the Circular 58) within 30 days after obtaining the business license issued by the appropriate enterprise registration authority.

A FIPE must complete the registration formalities at the local SAFE for foreign investment by foreign partners. If registration is not completed, funds invested by foreign partners may not be transferred or used for exchange settlement within the territory of mainland China.

Foreign Exchange Account Opening and Conversion of Foreign Currency

In the event that the foreign partner subscribes capital contribution to the FIPE in a foreign currency, the FIPE must use its foreign exchange registration certificate to open a foreign exchange account in a banks designated for dealing with foreign exchange. The rules for capital accounts of FIEs shall apply to the management of such foreign exchange account. That is, each outward payment from the current account shall first be examined by the designated bank for the authenticity of funds exchanged, and outward payments of capital account shall be first registered with or approved by SAFE.

Capital Contribution Confirmation Registration

Circular 58 provides that after the payment of capital contribution by foreign partners, a FIPE must undergo capital contribution verification registration with the competent authorities of foreign exchange, and only following this, may such FIPE convert its capital (in foreign currency) into RMB or make a transfer within the territory of Mainland China.

In addition, only after capital contribution verification registration by the foreign partner has been fully completed may such foreign partner remit funds obtained from the liquidation, capital decrease, partnership interest transfer or profit distribution outside China or use such funds in further investments inside China.

Profit Distribution outside China

Circular 58 provides that when the FIPE intends to remit profits outside China, it must submit the relevant documents to the bank, and the bank will be responsible for the filing of the relevant information with the corresponding department of SAFE. Before remitting profits of the FIPE to a foreign partner, the bank will first examine whether its foreign partner has completed capital contribution verification registration, whether the certificate proving tax payment regarding such profit to be remitted has been duly obtained, and will check and review the relevant information related such profit remittance.

Annual Inspection for Foreign Exchange

A FIPE must comply with the annual inspection requirements for foreign exchange, and the general rules for FIPs shall also apply to FIPEs.

Withholding Tax on Dividends

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law that became effective on January 1, 2008. Pursuant to the new tax law and the corresponding implementing regulations, dividend payments to foreign investors issued by FIEs are subject to a 10% withholding tax rate unless a tax treaty applies that provides for another arrangement.

Based on the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes ("內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排") promulgated on August 21, 2006, dividends distributed by an FIE to a company incorporated in Hong Kong will be subject to a 5% withholding tax rate, if the beneficial owner is a company which holds directly at least 25% of the shares of the FIE paying the dividends.

Tax Laws

EIT Law

On January 1, 2008, the Foreign-funded Enterprise and Foreign Enterprise Income Tax Law of the PRC (《外商投資企業和外國企業所得税法》) was abolished, and the Enterprise Income Tax Law of the PRC (《企業所得税法》, "**EIT Law**"), promulgated on March 16, 2007, as well as the Implementing Regulations for the PRC Enterprise Income Tax Law (《企業所得税法實施條例》, "**Implementation Rules**"), promulgated on December 6, 2007, became effective on January 1, 2008. Pursuant to the EIT Law of the PRC, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

The EIT Law also provides that enterprises that are established in accordance with the law of a foreign country (or region) and whose "de facto management bodies" are located in China are considered "tax resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the Implementation Rules, "de facto management bodies" is defined as the bodies that have, in substance, overall management and control over such aspects as the production and business, personnel, accounts and properties of an enterprise. The EIT Law and the Implementation Rules have only recently taken effect. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining "de facto management bodies".

Under the EIT Law and the Implementation Rules, China-sourced income of foreign enterprises that are "non PRC resident enterprises" that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with China that provides a different withholding arrangement. Under an arrangement between China and the Hong Kong Special Administrative Region, which was promulgated on August 21, 2006, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity directly owns at least 25% of the equity interest of the PRC company.

On January 9, 2009, the SAT promulgated the Interim Measures for the Administration of Withholding at Source of Enterprise Income Tax for Non-resident Enterprises, or the Interim Measures (《非居民企業所得稅源泉扣繳管理暫行辦法》, "**Interim Measures**"), which took effect retroactively on January 1, 2009. In accordance with the Interim Measures, if a non-resident enterprise receives the income originating from China, or the taxable income, including equity investment income such as dividend and profit, interest, rental and royalty income, income from property transfer and other incomes, the EIT payable on the taxable income shall be withheld at the source by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise under relevant laws or contracts.

On December 10, 2009, the SAT issued the Notice of Strengthening Enterprises Income Taxation on Non-resident Enterprises with respect to Gains from Equity Transfer (《關於加强非居民企業股權轉讓所得企業所得稅管理的通知》, "**698 Notice**"), which demonstrates its jurisdiction over the indirect equity transfer of PRC resident enterprises via disposing the equity of a special purpose vehicle, or SPV, offshore China. Pursuant to the 698 Notice, the offshore transferor which interposes a SPV as an intermediate holding company for its investment in PRC subsidiary will be required to report the indirect transfer of the equity interest of SPV to the Chinese local-level tax bureau in charge of the PRC subsidiary, provided that the effective tax rate of the jurisdiction over the SPV being transferred is less than 12.5%, or that jurisdiction does not tax foreign income of its residents. The Chinese tax authorities will examine the true nature of the transfer through such reporting documents and determine whether such transfer constitutes evasion of Chinese taxation through abusive arrangement without reasonable commercial purpose. Based on the "substance over form" principle, the Chinese tax authorities may re-characterize the transfer and disregard the existence of the SPV. Once a SPV is disregarded, the transfer should be effectively treated as non-resident enterprises transferring the PRC subsidiary's equity, and thus the transfer gain is of China source which should be subject to China withholding tax.

Violation of the above mentioned laws, rules or notices may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or, even criminal liability for severe cases.

Property Law

The properties which we lease and own in the PRC are subject to the Property Law (《物權法》), promulgated by the Fifth Meeting of the Tenth NPC on March 16, 2007 and effective October 1, 2007. Under the Property Law, any creation, modification, transfer or termination of property rights of real estate shall become effective upon registration with the relevant government authorities. All lawful property of the State, collectives, and individuals are protected by law against embezzlement and encroachment. The Property Law also contains specific provisions relating to contractual land operation rights, construction land use rights, residential land use rights, easement rights and various security rights.

The Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》) (the "**Leasing Procedures**"), promulgated by Ministry of Housing and Urban-Rural Development on December 1, 2010, effective February 1, 2011, provide that a lease must be filed with the local real estate administrative department. Although the PRC courts have previously ruled that failure to file a lease with the relevant PRC Government authorities does not in itself invalidate the lease, fines may be imposed by the local real estate administrative department for such omission, under the Leasing Procedures.

The Land Administration Law (《土地管理法》), promulgated by standing committee of the NPC on August 28, 2004, effective at the same day, provides that a Land Use Certificate of State-Owned Land must be obtained from the land administrative department prior to usage of collectively-owned land. Violation of the Land Administration Law may result in the imposition of fines and confiscation of the land involved.

The Ministry of Land and Resources, through a revised catalogue of permissible usage of allocated land, removed profitable cemetery use from the permitted uses of allocated land after 2001. Allocated land is land that can be used without a definitive term or payment of land premium.

Labor and Social Insurance

The PRC has many labor and safety laws, including the PRC Labor Law (《勞動法》), the PRC Labor Contract Law (《勞動合同法》), the PRC Social Insurance Law (《社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for operations in the PRC.

According to the PRC Labor Law (《勞動法》) and the PRC Labor Contract Law (《勞動合同法》), labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The company must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employers are also required to provide safe and sanitary working conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

As required under the PRC Social Insurance Law (《社會保險法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), companies are obliged to provide employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

Intellectual Property Rights

International conventions

China is a party to several international conventions on intellectual property rights, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協定》), upon its accession to the World Trade Organization in December 2001. China is also a party to the Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), the Berne Convention for the Protection of Literary and Artistic Works (《保護文學藝術作品伯爾尼公約》), the World Intellectual Property Organization Copyright Treaty (《世界知識產權組織版權公約》), the Madrid Agreement concerning the International Registration of Marks (《商標國際註冊馬德里協定》), and the Patent Cooperation Treaty (《國際專利合作公約》).

Trademarks

The Trademark Law (《商標法》) was promulgated by the Standing Committee of the NPC on August 23, 1982, effective March 1, 1983, and amended on February 22, 1993 and October 27, 2001. Under the Trademark Law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

A trademark registrant may conclude a licensing contract authorizing use of its registered trademark by another person. Under the Trademark Law, the licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

The Provisions on Recognition and Protection of Well-known Trademarks (《馳名商標認定和保護規定》), promulgated by the SAIC on April 17, 2003, effective June 1, 2003, protect well-known trademarks, which are recognized on a case-by-case basis by the Trademark Review and Adjudication Board of the SAIC, the Trademark Office, or the PRC courts.

Domain names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) (the Domain Name Measures) were promulgated by the then existing Ministry of Information Industry on November 5, 2004, and came into effect on December 20, 2004. The Domain Name Measures regulate registrations of domain names with the Internet country code ".cn" and domain names in Chinese.

(I) OUR KEY MILESTONES

We have achieved the following key milestones in our history:

Year	Event
1994	Established Shanghai FSY Industry Development, signaling our first entry into the death care business
1999	Commissioned by the China Funeral Association to provide regular training courses on national modern cemetery management and operation
2001	Established Shandong Fu Shou Yuan, our first cemetery outside Shanghai
2002	Acquired funeral facilities in Chongqing, our first funeral facilities project
	Became the first PRC company admitted as a member of the Australasian Cemeteries and Crematoria Association and the International Cemetery and Funeral Association
2008	Awarded the “China Charitable Award” for our pro-bono initiatives relating to the Sichuan earthquake
2010	Our renwen commemorative park and memorial (人文紀念館) was opened in Shanghai to spearhead the modern design of funeral facilities in China
2011	Advised MCA and led the drafting of its Funeral and Burial Industry Management Principles
2012	Our Hefei Dashushan Cultural Cemetery was awarded “AAA” national tourist attractions recognition by the China National Tourist Attractions Quality Evaluation Committee
	Our “ ” brand was recognized as “Shanghai Famous Trademark” by Shanghai Administration for Industry and Commerce
	The first PRC company to be admitted as a member of the National Funeral Directors Association in the United States

(II) AN OUTLINE OF OUR DEVELOPMENT HISTORY AND CORPORATE STRUCTURE

Our Group consists of a number of PRC-incorporated operating entities, which are held by an intermediate layer of PRC-incorporated holding companies, which are in turn held by our offshore Listing holding companies. These various groups of companies are described in detail in the following paragraphs headed "A. The Development History of our Principal Operating Entities", "B. Our Key PRC Intermediate Holding Companies", and "C. Formation of our Offshore Holding Companies" in this sub-section (II).

A. The Development History of our Principal Operating Entities

1. In February 1994, Shanghai FSY Industry Development was established by an affiliate of Zhongfu to commence our business in the death care industry in Shanghai.

2. In December 1998, Anhe became a 50% shareholder of Shanghai FSY Industry Development.

3. In 2001, through nominee arrangements, Anhe and Zhongfu agreed to adopt a 50-50 beneficial shareholding structure in relation to all of our Group's business and company acquisitions as we started expanding our operations outside of Shanghai. Further background and the rationale for the nominee arrangements are set out in "(II) An Outline of Our Development History and Corporate Structure — E. Rationale for Nominee Arrangements" below.

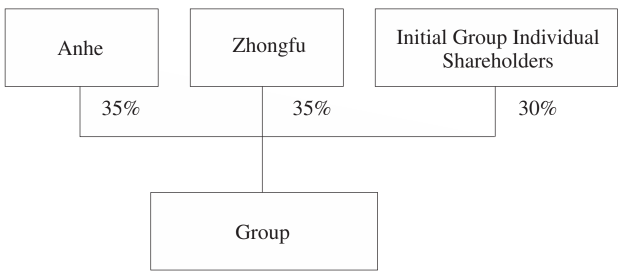
4. In December 2001, we together with our joint venture partners established Shandong FSY Development to establish our first cemetery outside of Shanghai.

5. In February 2002, we established Hefei Dashushan Co to establish our cemetery in Hefei, Anhui Province.

6. In April 2002, we acquired Chongqing Anle Services to extend our death care services to funeral services.

7. The above-mentioned 50-50 beneficial shareholding structure continued to be in place until November 2006 when the Initial Group Individual Shareholders acquired an aggregate of 30% beneficial interest of our Group from Anhe and Zhongfu. After that acquisition, we had been beneficially owned by Anhe, Zhongfu and the Initial Group Individual Shareholders as to 35%, 35% and 30%, respectively.

   Following this transfer, the chart below sets forth the shareholding of our Group:



8. In January 2007, we established Shanghai Nanyuan to offer burial services.

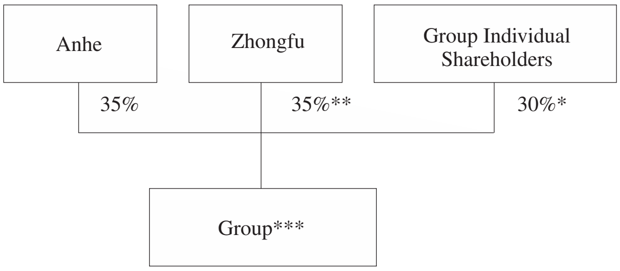
9. In February 2008, we acquired Henan FSY Industrial to establish our cemetery in Zhengzhou, Henan Province.

10. In September 2008, we established Hefei Renben to offer funeral services in Hefei.

11. In August 2009, as an incentive to Zhao Yu, our joint company secretary, to join our Group, Zhongfu agreed to transfer 2.8% of its beneficial interest in our Group to Zhao Yu or any party designated by him. Zhao Yu directed Zhongfu to transfer such beneficial interest to Faithful Hope, a company then held as to 30% by Zhao Yu and as to 70% by Zhao Zhichao, a relative of Zhao Yu. Zhongfu acted as nominee shareholder for such beneficial interest for Faithful Hope.

12. In November 2009, several of the Initial Group Individual Shareholders transferred an aggregate of 8.84% of their beneficial interests in our Group to 14 individuals.

    Following these transfers, the chart below sets forth the shareholding of our Group:



* Denotes beneficial interest.

** Of the 35% interest in our Group, 2.8% was beneficially owned by Faithful Hope.

*** In 2009 our principal PRC operating subsidiaries consisted of Shanghai FSY Industry Development, Shandong FSY Development and Hefei Dashushan Co.

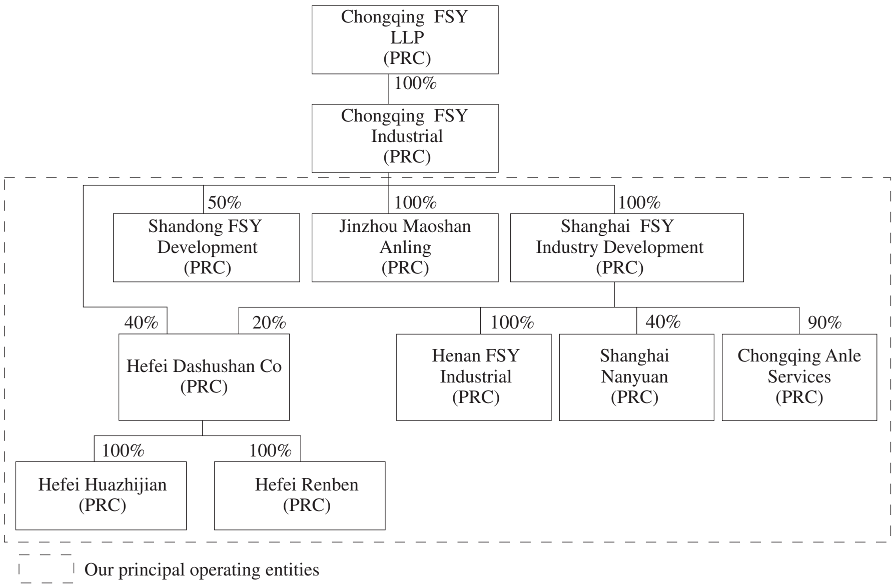
13. In May 2010, we established Hefei Huazhijian to offer flowers and related designing services in Hefei.

14. In 2011, Anhe, Zhongfu and the Group Individual Shareholders elected to consolidate their interests in our then principal operating entities through the establishment of two PRC intermediate holding companies, namely, Chongqing FSY LLP and Chongqing FSY Industrial. To achieve this holding structure, Anhe, Zhongfu and the Group Individual Shareholders transferred their equity interests in the then principal operating entities to Chongqing FSY Industrial in return for an aggregate of 70% equity interest in Chongqing FSY Industrial. Subsequently, Chongqing FSY LLP acquired the 70% equity interest in Chongqing FSY Industrial held by Anhe, Zhongfu and the Group Individual Shareholders. The remaining 30% interest was acquired by Chongqing FSY LLP. Further details of Chongqing FSY LLP and Chongqing FSY Industrial and the reasons for the consolidation are set out in sub-section "(II) An Outline of Our Development History and Corporate Structure — B. Our Key PRC Intermediate Holding Companies" below.

15. In May 2012, we acquired Jinzhou Maoshan Anling to establish our cemetery in Jinzhou, Liaoning Province.

16. Since their establishment or our acquisitions of them, Shanghai FSY Industry Development, Chongqing Anle Services, Shandong FSY Development, Hefei Dashushan Co, Henan FSY Industrial, Jinzhou Maoshan Anling, Shanghai Nanyuan, Hefei Renben and Hefei Huazhijian have developed to become our principal operating entities.

The chart below sets forth the principal operating entities of our Group as of the Latest Practicable Date:



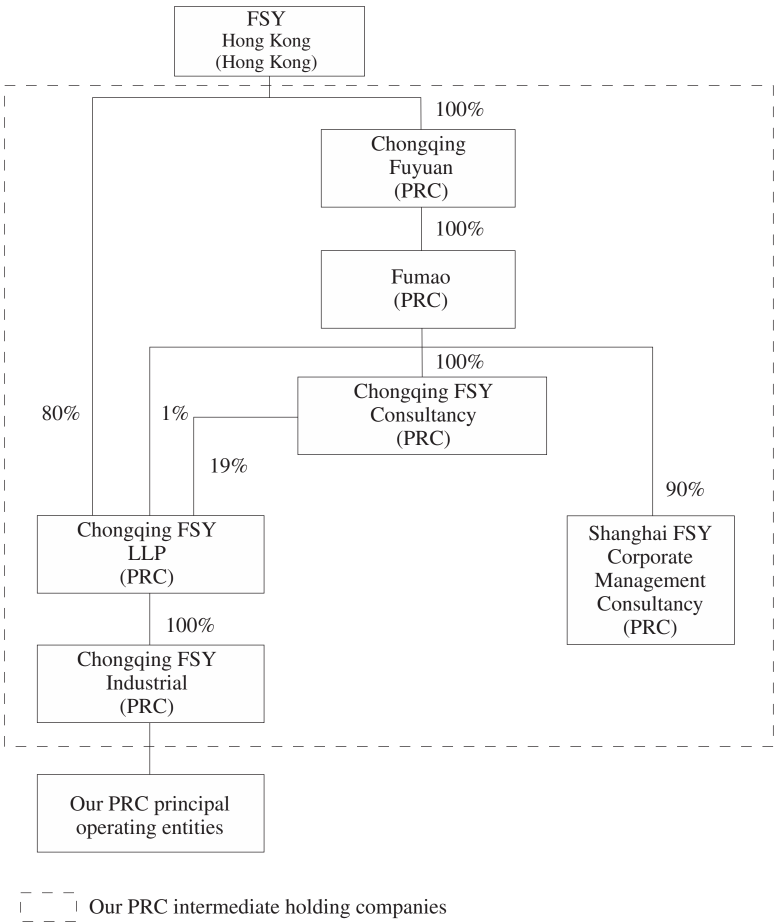
B. Our Key PRC Intermediate Holding Companies

To facilitate the acquisition of our PRC entities by our offshore holding companies, we established Chongqing FSY LLP, a limited partnership under the laws of the PRC on November 10, 2010, with (i) two limited partners, namely, Rich Base International Investments Limited, a Hong Kong-incorporated company beneficially owned by Zhongfu and FSG Holding in equal proportions ("**Rich Base**"), and Chongqing FSY Consultancy, and (ii) a general partner, namely Zhang Shiyao, who acted as nominee shareholder for Anhe, Zhongfu and the Group Individual Shareholders. In October 2011, Rich Base transferred its 80% partnership interest in Chongqing FSY LLP to FSY Hong Kong, a Hong Kong-incorporated company wholly-owned by our Company. In April 2012, Zhang Shiyao transferred his 1% partnership interest in Chongqing FSY LLP to Fumao. Upon completion of the above partnership transfers, Chongqing FSY LLP is held 80% by FSY Hong Kong, 19% by Chongqing FSY Consultancy and 1% by Fumao.

Chongqing FSY Industrial was established under the laws of PRC on January 18, 2011 to acquire our then principal operating entities, namely, Shanghai FSY Industry Development, Shandong FSY Development and Hefei Dashushan Co. In 2011, Anhe and Zhongfu transferred their equity interests in Chongqing FSY Industrial in return for an aggregate of 70% equity interest in Chongqing FSY Industrial, and the remaining 30% interest was acquired by Chongqing FSY LLP. Subsequently, Chongqing FSY LLP acquired an aggregate 70% equity interest in Chongqing FSY Industrial, of which 35% was from Anhe and 35% from Zhongfu. Upon completion of such equity transfers, Chongqing FSY Industrial became a wholly-owned subsidiary of Chongqing FSY LLP.

The above equity transfers were carried out (i) to enable Chongqing FSY LLP to become our PRC holding company; and (ii) to dispose of Anhe's and Zhongfu's respective interests in our PRC subsidiaries in anticipation of Anhe's and Zhongfu's subsequent equity participation of our Group at the offshore holding company level. At the offshore level, the shareholders of Anhe elected to have their interests in our Group to be held through its offshore affiliate FSG Holding. Zhongfu elected to have its interest in our Group to be held through its offshore subsidiary Fulechuan.

The following chart sets forth the group of our PRC intermediate holding companies as of the Latest Practicable Date:

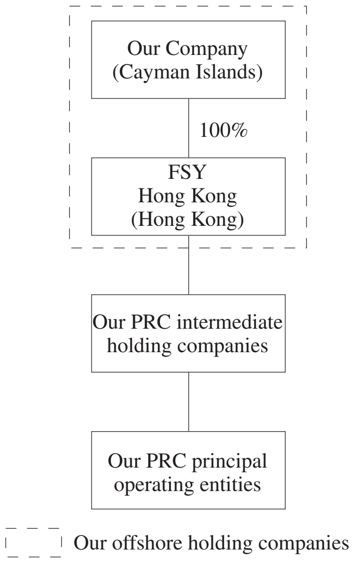


C. Formation of our Offshore Holding Companies

Our Company was incorporated in the Cayman Islands as a limited liability company on January 5, 2012 to become our Listing vehicle.

FSY Hong Kong was incorporated in Hong Kong on October 10, 2011 to become our intermediate holding company to hold our interests in the domestic holding companies in the PRC. It is a wholly-owned subsidiary of our Company.

The following chart sets forth the group structure of our offshore holding companies:

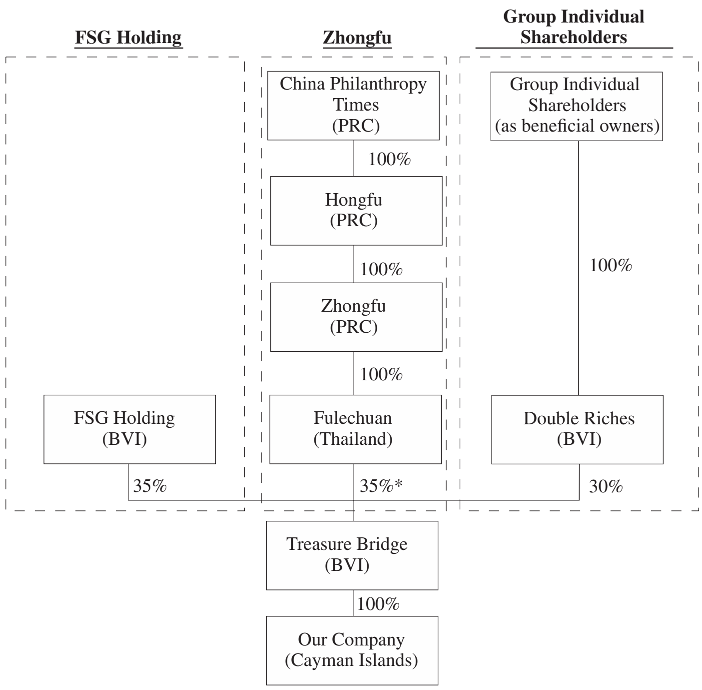


D. Our Shareholders

Prior to the restructuring at our Shareholders' level

Treasure Bridge was our sole Shareholder. Each of FSG Holding, Zhongfu (through Fulechuan) and the Group Individual Shareholders (through Double Riches) held our Shares through Treasure Bridge.

The following chart sets forth the shareholding of our Company prior to the reorganization at our Shareholders' level:



* Of the 35% interest in our Group, 2.8% was beneficially owned by Faithful Hope.

Restructuring at our Shareholders' level

1. Prior to the restructuring at our Shareholders' level, all of our Group Individual Shareholders had their interests in our Group held by Double Riches, whereas Faithful Hope, a company then owned as to 30% by Zhao Yu and 70% by Zhao Zhichao, had its interests held by Zhongfu. Double Riches acted as nominee shareholder for the Group Individual Shareholders and Zhongfu acted as nominee shareholder for Faithful Hope. The Group Individual Shareholders, Zhao Yu, and Zhao Zhichao elected to either hold their interests in our Group directly through their wholly-owned BVI companies or to become legal shareholders of Double Riches. To this end, they went through the following steps:

   (i) On July 9, 2013, 10 of the Group Individual Shareholders elected to hold our Shares directly through each of their wholly-owned BVI companies. Those shareholders became the Group Direct Individual Shareholders. Upon completion of the necessary share transfers, the Group Direct Individual Shareholders, through their wholly-owned BVI companies, hold an aggregate of 22.037% of the issued share capital of our Company.

   (ii) On the same date, Zhao Yu and Zhao Zhichao elected to hold our Shares directly. Upon completion of the necessary share transfers, Zhao Yu, through his wholly-owned BVI company, Real Path, and Zhao Zhichao, through his wholly-owned BVI company, Faithful Hope, together hold an aggregate of 2.8% of the issued share capital of our Company.

   (iii) On the same date, the Group Indirect Individual Shareholders elected to hold their interests in our Group through Double Riches. Upon completion of the necessary share transfers, the Group Indirect Individual Shareholders hold the entire issued share capital of Double Riches.

   Immediately after the completion of the above steps, the nominee arrangements (a) between Double Riches and the Group Individual Shareholders; and (b) between Zhongfu and Faithful Hope, were terminated.

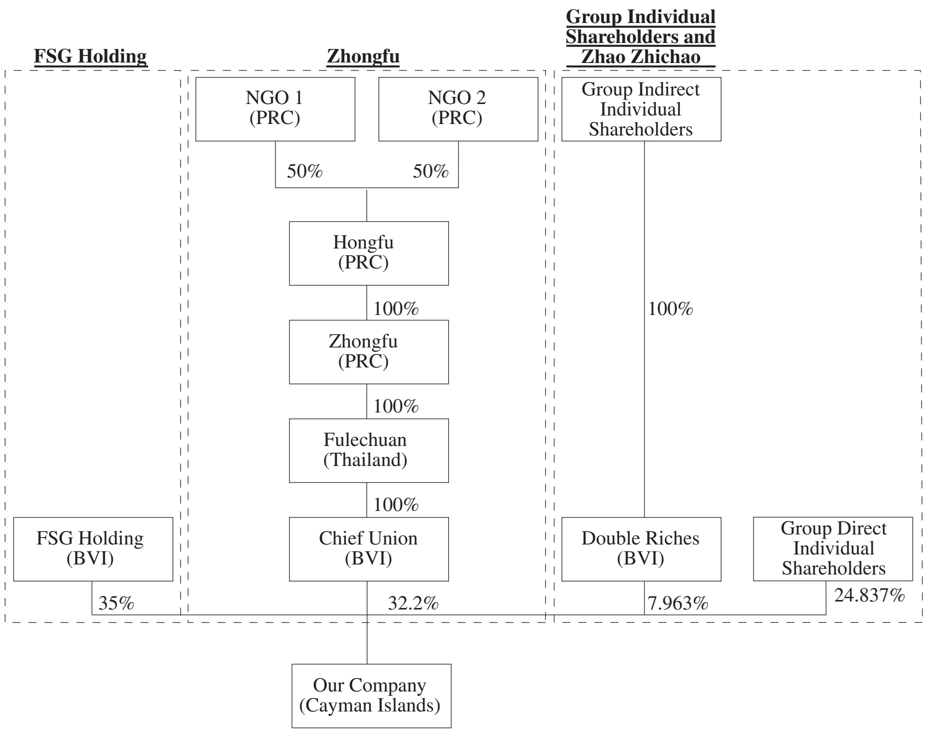
2. Zhongfu's subsidiary, Fulechuan, elected to have a holding company to hold its interests in our Group. Instead of incorporating a new offshore company, Fulechuan elected to acquire Chief Union, previously a subsidiary of our Company. Chief Union had been a dormant company with no business activities. On July 9, 2013, Fulechuan acquired the entire initial share capital of Chief Union from our Company in consideration of US$100 (at par value of Chief Union's share capital). On the same date, Fulechuan transferred its 35% interest in our Group to Chief Union in consideration of US$35 (being par value of Treasure Bridge's share capital). Upon completion of the above transfers, Zhongfu holds its interests in our Group through Chief Union.

3. On August 19, 2013, FSG Holding, Zhongfu and the Group Indirect Individual Shareholders elected to hold our Shares directly. To this end, Treasure Bridge, our then Shareholder, transferred 32.2%, 35% and 7.963% of the issued share capital of our Company to Chief Union, FSG Holding and Double Riches, respectively, at par value of their respective holdings.

4. China Philanthropy Times transferred 50% equity interest in Hongfu to each of NGO 1 and NGO 2 on July 31, 2013. Upon completion of the transfers, each of NGO 1 and NGO 2 hold 50% equity interest in Hongfu.

   Further details of the restructuring at our Shareholders' level are set out in "(III) Further Details of our Corporate Restructuring Steps — D. Our Shareholders" in this section below.

   The following chart sets forth the shareholding of our Company immediately after the restructuring at our Shareholders' level:



E. Rationale for nominee arrangements

The formation and equity transfers of certain of our PRC subsidiaries involved various types of nominee arrangements. Our PRC legal advisors, Watson and Band Law Offices, have confirmed that all the nominee arrangements entered into by our Group are valid and legal under PRC law and do not violate any PRC laws and regulations. All nominee arrangements adopted in the formation of our PRC subsidiaries have been terminated as our Group prepared for the Listing. Set forth below are examples illustrating our nominee arrangements:

(i) Anhe and Zhongfu acted as nominee shareholders for the Initial Group Individual Shareholders to hold their aggregate 30% equity interest in Shanghai FSY Industry Development in 2006. Any transfer to effect the 30% equity interest would have involved procedures and formalities and would result in continuing compliance requirements in the PRC. The Initial Group Individual Shareholders were (and remain) senior members of our Group management at the time and were comfortable with Anhe and Zhongfu acting as nominee shareholders. Accordingly, it was agreed that no formal registration of the equity transfers was made.

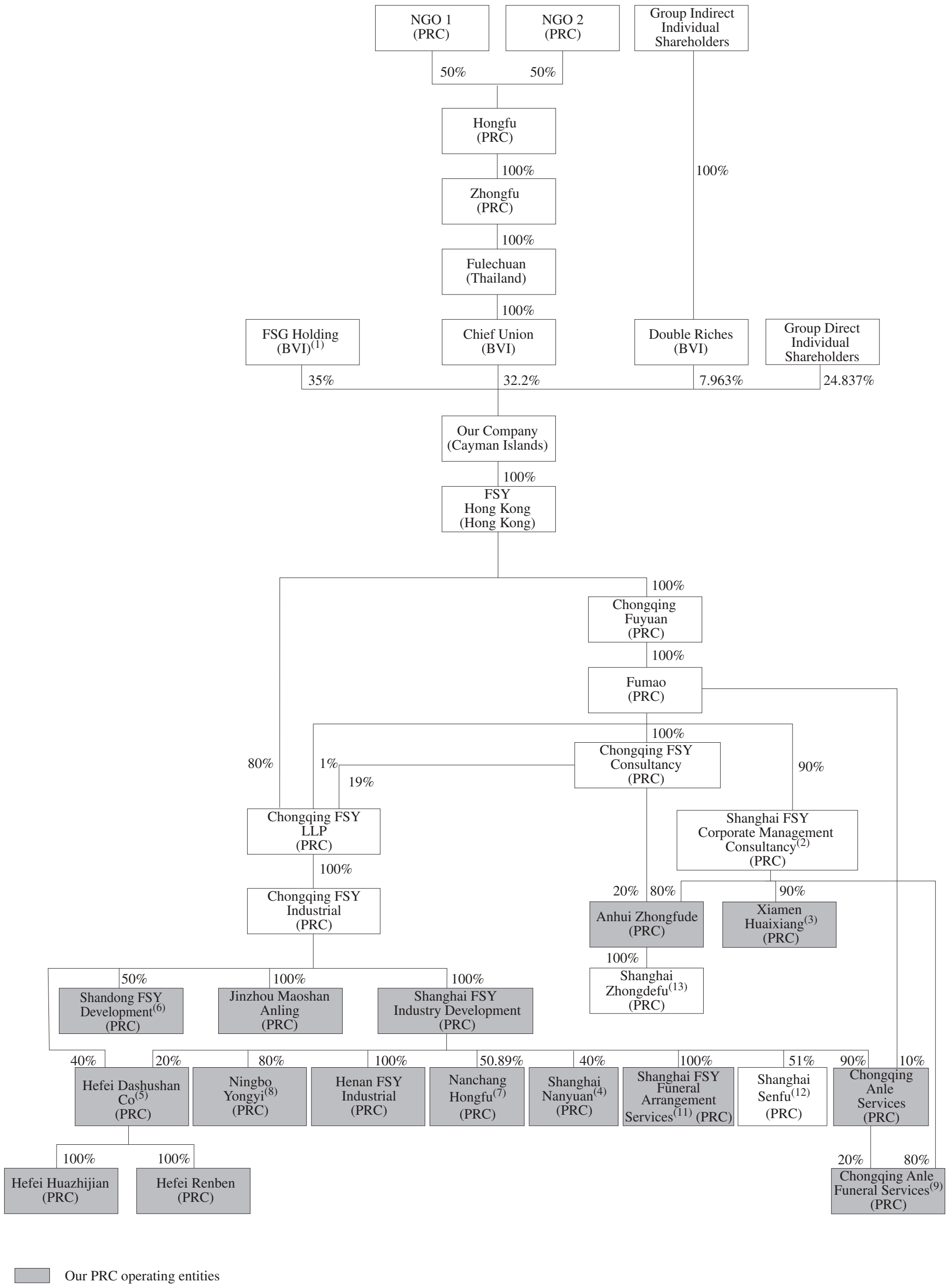
(ii) The acquisition of Shandong FSY Development and the establishment of Hefei Dashushan Co involved Zhongfu and Anhe acting as nominee shareholders in 2001 and 2002 respectively for Shanghai FSY Industry Development. Zhongfu and Anhe enjoyed well-established goodwill and local government relationships in Shandong and Auhui Provinces respectively. To leverage their goodwill and relationships in these locations, Zhongfu and Anhe had agreed to pursue new business opportunities through nominee arrangements.

(iii) Considering the procedures and formalities involved in the formation process and the continuing compliance requirements in the PRC, certain of our PRC intermediate holding companies were held by members of our senior management and/or employees acting as nominee shareholders for our shareholders from time to time. Our Group believes that individual shareholders can generally be more efficient than corporates in attending to procedures and formalities associated with the formation and general compliance matters of PRC companies. For example, our Group would not need to prepare shareholders consent, resolutions and corporate authorization in a format prescribed by the local industry and commerce authorities if the shareholder involved was an individual. Such nominee arrangements were intended to expedite company registration processes and related formalities.

Accordingly, the nominee arrangements between Anhe and Zhongfu were put in place (i) to ensure that neither shareholder would compete unfairly with the other by undertaking investments unilaterally outside of the joint venture. The arrangement reinforces the shareholders' commitment to their joint efforts in developing the business of Shanghai FSY Industry Development, ensuring all related business opportunities to be brought to Shanghai FSY Industry Development or their shareholders on a first-right-of-refusal basis. Through its nominal interest in the investment, the other shareholder could ensure that (a) the investment would not be taken up by the investing shareholder for its own benefit; and (b) the investment would be offered to Shanghai FSY Industry Development; and (ii) to safeguard the interest of the shareholders in new business opportunities - Anhe and Zhongfu enjoyed well-established goodwill and local government relationships in Anhui and Shandong Provinces respectively. They leveraged their goodwill and relationships in these locations to source new business opportunities for Shanghai FSY Industry Development and set up new entities. They used their own names and resources to capture new business opportunities and set up new entities at that time. With the nominee arrangements in place, any investment in new business opportunities and new entities would then be managed by the Shanghai FSY Industry Development's management team, and beneficially owned by Anhe and Zhongfu by 50-50 and then being transferred to Shanghai FSY Industry Development. For instance, Anhe was established in Anhui in 1998. Since then, it has started to develop its consultancy business operations in Anhui, and relationships with the local government, through official and business exchange programs. Anhe also co-founded a technological research institute in Anhui. Over years of business initiatives in Anhui, Anhe has developed good relationships with the local business partners and the local government. We leveraged Anhe's local relationships to establish the Hefei Dashushan Cemetery in Anhui in 2002, and Anhe also contributed to the initial burial services business start-up and management of Hefei Dashushan Co in Anhui.

F. Our Corporate Structure Immediately Prior to the Capitalization Issue and the Global Offering

The following chart sets forth our overall corporate structure upon completion of the key steps outlined in sections A to D above, and immediately prior to the Capitalization Issue and the Global Offering:



Notes:

(1) FSG Holding is owned 28.15% by Pacific Millennium Investment Corporation, 22.22% by SChase International Limited, 20% by Fast Answer Limited, 11.11% by Cheng I Chen, and the remaining 18.52% by six shareholders (which individually holds less than 10% interest in FSG Holding). Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan Chih Chun is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Other than their shareholdings in FSG Holding, all the shareholders of FSG Holding are independent of Zhongfu, the Group Direct Individual Shareholders and the Group Indirect Individual Shareholders.

(2) The remaining 10% interest in Shanghai FSY Corporate Management Consultancy is held by Shanghai FSY Funeral Arrangement Services, an indirect wholly-owned subsidiary of our Company.

(3) The remaining 10% interest in Xiamen Huaixiang is held by Xiamen City Funeral Services Centre* (廈門市殯儀服務中心), an independent third party.

(4) The remaining 40% interest in Shanghai Nanyuan is held by Shanghai Lingang College Economic Development Co., Ltd.* (上海臨港書院經濟發展有限公司) ("**Shanghai Lingang**"), an independent third party, and 20% by Shanghai Agricultural Industrial and Commercial Group East Ocean Company* (上海農工商集團東海總公司), an independent third party.

(5) The remaining 40% interest in Hefei Dashushan Co is held by Hefei Shushan Lieshi Lingyuan Management Department* (合肥蜀山烈士陵園管理處), an independent third party.

(6) The remaining 50% interest in Shandong FSY Development is held by Shandong World Trade Centre* (山東世界貿易中心), an independent third party.

(7) Nanchang Hongfu was established as a limited liability company under the laws of the PRC on November 17, 2009, and is principally engaged in the sale of funeral and coffin furnishings and burial plots. The remaining 40% interest in Nanchang Hongfu is held by Nanchang City Public Investment Holdings Co., Ltd.*, an independent third party, and 9.11% by Burial Management Department, an independent third party.

(8) Ningbo Yongyi was established as a limited liability company under the laws of the PRC on January 9, 2013, and is principally engaged in the provision of funeral services. The remaining 20% interest in Ningbo Yongyi is held as to 10% by Zhang Cheng (張成), an employee of our Group, and 10% by Li Xingyu (李杏雨), an independent third party.

(9) Chongqing Anle Funeral Services was established as a limited liability company under the laws of the PRC on January 23, 2003 and is principally engaged in the provision of funeral services.

(10) Zhengzhou Longhu was established as a limited liability company under the laws of the PRC on October 27, 2005, it was wholly-owned by Henan FSY Industrial, and was principally engaged in the planting and sale of flowers and nursery stock. It was liquidated and deregistered on September 13, 2013.

(11) Shanghai FSY Funeral Arrangement Services was established as a limited liability company under the laws of the PRC on May 17, 2011, and is principally engaged in the provision of funeral services.

(12) Shanghai Senfu was established as a limited liability company under the laws of the PRC on July 2, 2013, and is principally engaged in vegetable and fruit planting. The remaining 49% interest in Shanghai Senfu is held as to 37.5% by Zhu Linbiao (朱林標), 6.25% by Xu Jian (徐見) and 5.25% by Chen Pangfei (陳鵬飛), all of whom are independent third parties.

(13) Shanghai Zhongdefu was established as a limited liability company under the laws of the PRC on March 21, 2013, and is principally engaged in sales and after-sales services of cremation devices.

(III) FURTHER DETAILS OF OUR CORPORATE RESTRUCTURING STEPS

An overview of the key steps leading to our corporate structure is outlined in sections A to D under "(II) An Outline of Our Development History and Corporate Structure" above. The sections below set forth in greater detail the key steps involved, in the same order as they appear in "(II) An Outline of Our Development History and Corporate Structure" above.

A. OUR PRINCIPAL OPERATING ENTITIES

The history and development of the principal operating entities of our Group are set forth below:

1. Shanghai FSY Industry Development

Shanghai Zhongfu Real Estate established Shanghai FSY Industry Development on February 21, 1994 with an initial registered capital of RMB1 million. The registered capital was subsequently increased to RMB 30 million, to which Anhe, Zhongfu and Shanghai Zhongfu (a former wholly-owned subsidiary of Zhongfu) contributed 50%, 20% and 30% respectively.

Anhe engages in, among others, projects investment, projects investment consultation, asset management, real estate development and consultation. Anhe is owned by the beneficial shareholders of FSG Holding. Anhe recognized the potential of the death care industry in the PRC and was interested in investing in the PRC death care industry. Anhe recognized that Zhongfu had a burial services business in the PRC operated through Shanghai FSY Industry Development. After arm's length negotiation between Anhe and Zhongfu, Anhe decided to cooperate with Zhongfu and became a 50% shareholder of Shanghai FSY Industry Development in 1998. Both Anhe and Zhongfu were responsible for strategic planning and business development of Shanghai FSY Industry Development. The two shareholders manage the business affairs of Shanghai FSY Industry Development through nomination of directors to the board of Shanghai FSY Industry Development. Anhe and Zhongfu's respective obligations as shareholders of Shanghai FSY Industry Development are typical obligations required of shareholders in a 50-50 PRC joint venture, covering subscription and funding obligations and joint responsibilities over the joint venture management acting through its board of directors. The source of funding in relation to Anhe's acquisition of 50% interest in Shanghai FSY Industry Development in 1998 was provided by the beneficial shareholders of Anhe.

In November 2006, Anhe, Zhongfu and Shanghai Zhongfu transferred an aggregate 30% of their beneficial interests in Shanghai FSY Industry Development to the Initial Group Individual Shareholders for an aggregate consideration of RMB9 million, which was equivalent to 30% of the registered capital of Shanghai FSY Industry Development. Our Group recorded a total net profit of RMB63.2 million from January to November 2006 based on our management accounts, which is significantly higher than the aforesaid consideration of only RMB9 million. Such equity transfers were intended to incentivize the Initial Group Individual Shareholders to make continued contributions to our Group and the consideration was negotiated with the purpose of providing an incentive to the Initial Group Individual Shareholders for retaining their services with our Group. We considered that the consideration of RMB9 million, which was determined based on registered capital, could achieve such a purpose. Furthermore, it was not uncommon at that time for PRC companies to use registered capital to determine the consideration for equity transfers. Based on the above, we considered that the consideration was fair and reasonable. Upon completion of such equity transfers, Shanghai FSY Industry Development was beneficially owned as to 35% by Anhe, 35% by Zhongfu (including Shanghai Zhongfu) and 30% by the Initial Group Individual Shareholders. The Initial Group Individual Shareholders entered into nominee arrangements with Anhe and Zhongfu (including Shanghai Zhongfu) pursuant to which Anhe and Zhongfu acted as nominee shareholders for the Initial Group Individual Shareholders. For the rationale of our nominee arrangements, see "(II) An Outline of Our Development History and Corporate Structure — E. Rationale for Nominee Arrangements" above. As advised by our PRC legal advisors, Watson and Band Law Offices, (i) the acquisition of the 30% beneficial interest in our Group by the Initial Group Individual Shareholders has complied with the then applicable PRC laws, rules and regulations and will not be subject to any challenges by the PRC government authorities; and (ii) there was no restriction under the then applicable PRC laws, rules and regulations for the Initial Group Individual Shareholders to directly hold the 30% beneficial interest in our Group.

At the time when the incentive was offered to the Initial Group Individual Shareholders, the shareholders of Shanghai FSY Industrial Development were Zhongfu and Anhe, each holding a 50% equity interest in Shanghai FSY Industrial Development. The incentive offered to Initial Group Individual Shareholders and the identities of the Initial Group Individual Shareholders were approved by Zhongfu and Anhe. The incentive offered to Mr. Bai was made alongside with a number of other Initial Group Individual Shareholders by Shanghai FSY Industrial Development as an incentive for their past contribution to the Group, whereas the Lupu Bridge project was undertaken by an affiliate of Zhongfu and the public funds were used solely for the Lupu Bridge project instead of rewarding any individual or person, including Mr. Bai. Based on the above, we consider that the mentioned two incidents are unrelated to each other.

Pursuant to the then prevailing national policies and as requested by the governmental authorities, Zhongfu had carried out a shareholding reform in 2000 to convert itself into a limited liability company. According to (i) an agreement executed by Hongfu, Zhongfu and China Shipbuilding Industrial Trading Shanghai Co., Ltd. (中國船舶工業貿易上海公司) ("**China Shipbuilding**") on December 8, 2000 confirming that China Shipbuilding did not and will not make any capital contribution to Zhongfu and that it held a 60% equity interest in Zhongfu on behalf of Hongfu; (ii) a confirmation letter issued by the Government Offices Administration Center of MCA (民政部機關事務管理中心) (the "**GOAC**") on January 24, 2008 confirming that the GOAC did not make any capital contribution to Zhongfu and that it held 10% equity interest in Zhongfu on behalf of Hongfu; and (iii) two arbitration awards made by the Shanghai Arbitration committee in 2009 and 2011, which the then shareholders of Zhongfu (namely, Hongfu, the GOAC and China Shipbuilding) desired to ascertain whether the ownership of the equity interest in Zhongfu was indeed vested in Hongfu and therefore submitted the said issue for arbitration, and as advised by our PRC legal advisor, Watson & Band Law Offices, Zhongfu was not deemed to be a collectively-owned or stated-owned company in 2006 when the 30% interest in our Group was acquired by the Initial Group Individual Shareholders. As a result, our Group's assets are not state-owned or collectively-owned assets and therefore, the equity transfer in 2006 is not subject to any asset appraisal and approval requirements. Our PRC legal advisors also confirmed that the GOAC, an authority administered by the MCA, is a competent authority to provide confirmation in this respect.

Pursuant to (i) the Temporary Regulations on the Supervision and Management of Enterprise State-owned Assets (企業國有資產監督管理暫行條例), a PRC regulation promulgated by the State Council in 2003, and (ii) the Law on Enterprise State-owned Assets (企業國有資產法), state-owned assets refer to interests acquired as a result of the capital contribution made by the State. Despite the fact that China Shipbuilding is a state-owned enterprise, and GOAC not being a state-owned enterprise but is a department of MCA, they did not make any capital contribution to Zhongfu nor had any involvement in the business operation of Zhongfu. To the best of our Company's knowledge, Zhongfu's assets had never been registered with the State-owned Assets Supervision and Administration Commission as state-owned assets, and our Company is not aware of any official record which indicated that our Group's assets were registered as state-owned assets in 2006. As set out above, the Government Offices Administration Center of MCA confirmed that GOAC did not make any capital contribution to Zhongfu and that the 10% equity interest in Zhongfu was held by GOAC on behalf of Hongfu. In addition, as set out in Zhongfu's reform agreement entered into among Zhongfu, Hongfu and China Shipbuilding in 2000, China Shipbuilding confirmed that the rights, responsibilities and obligations relating to China Shipbuilding's 60% interest in Zhongfu indeed belonged to Hongfu. Therefore, the 30% equity interest in Shanghai FSY Industry Development was transferred to the Initial Group Individual Shareholders in accordance with the then applicable PRC laws. Furthermore, the two arbitrations later have also concluded that Hongfu owns the entire equity interest in Zhongfu since Zhongfu's shareholding reform in 2000. Based on the foregoing reasons, the equity interests in Zhongfu were not considered as state-owned assets or collectively-owned assets since Zhongfu's shareholding reform in 2000 and Zhongfu's assets were not registered by the government as stated-owned assets or collectively-owned assets. As such, the transfer of 30% equity interest in Shanghai FSY Industry Development in 2006 to the Initial Group Individual Shareholders was not subject to any asset appraisal and approval requirements for transfer of state-owned assets.

As Shanghai FSY Industry Development acquired or invested in other subsidiaries of our Group, the shareholders of Shanghai FSY Industry Development have evolved to become Shareholders of our Group.

In August 2009, as an incentive to Zhao Yu, our joint company secretary, to join our Group, Zhongfu agreed to transfer 2.8% of its beneficial interest in our Group to Zhao Yu or any party designated by him. Zhao Yu directed Zhongfu to transfer such beneficial interest to Faithful Hope, a company then held 30% by Zhao Yu and 70% by Zhao Zhichao, a relative of Zhao Yu, for the consideration of HK$1. Zhongfu acted as nominee shareholder for Faithful Hope. Thus, Zhao Yu, who was beneficially interested in 0.84% (30% of 2.8%) in our Group, together with the 1.149% interest he acquired from Lin Hung Ming, our non-executive Director, which had been held through a separate nominee arrangement with Double Riches (see below), Zhao Yu held a total 1.989% beneficial interest in our Group. In addition, since then and until July 9, 2013, Zhongfu had continued to act as the nominee shareholder for Faithful Hope as to 1.96% (i.e. the remaining 70% of the 2.8% interest) of our Group, which was beneficially owned by Zhao Zhichao.

In November 2009, Tan Leon Li-an, our executive Director, Lin Hung Ming, our non-executive director, and Tan Richard Lipin, formerly a director of our Company, transferred an aggregate of 8.84% of their beneficial interests in our Group to 14 individuals (including the transfer of 1.149% interest in our Group from Lin Hung Ming to Zhao Yu mentioned above). These 14 individuals became part of the Group Individual Shareholders, in consideration of their contributions to our Group or as incentive for their continued service to our Group. Each of these 14 individuals paid a nominal consideration of RMB1 for the aforesaid equity transfers. Upon completion, the Group Individual Shareholders hold an aggregate of 30% beneficial interest in our Group. Anhe and Zhongfu continued to acted as nominee shareholders for the Group Individual Shareholders until early 2012 when Double Riches replaced Anhe and Zhongfu as nominee shareholder for the Group Individual Shareholders through its subscription for 30% interests in Treasure Bridge, formerly the sole Shareholder of our Company. Save as disclosed above, there was or is no shareholders' agreement, arrangement or understanding between Anhe, Zhongfu, the management employees of Zhongfu, the Initial Group Individual Shareholder and the Group Individual Shareholders.

On February 9, 2011, Anhe, Zhongfu and Shanghai Zhongfu entered into an equity transfer agreement with Chongqing FSY Industrial, pursuant to which Anhe, Zhongfu and Shanghai Zhongfu agreed to transfer their respective equity interests in Shanghai FSY Industry Development to Chongqing FSY Industrial for a total consideration of RMB30 million, which was determined based on the registered capital of Shanghai FSY Industry Development. Upon completion of such equity transfers, Shanghai FSY Industry Development became a wholly-owned subsidiary of Chongqing FSY Industrial. Shanghai FSY Industry Development is principally engaged in the provision of burial services. For the reasons of the above equity transfer, see "(III) Further Details of Our Corporate Restructuring Steps — B. Our PRC Intermediate Holding Companies — 2. Chongqing FSY Industrial" below.

2. Chongqing Anle Services

Chongqing Anle Services was established as a limited liability company under the laws of the PRC on September 11, 1997 with a registered capital of RMB1 million which was fully paid-up by September 4, 1997. Chongqing Anle Services is principally engaged in the provision of funeral services in Chongqing. The initial registered capital of Chongqing Anle Services was held as to 90% by Zhang Jide (張繼德), 5% by Chongqing Xingfu Trading Co., Ltd.* (重慶星福貿易有限責任公司) and 5% by Chongqing Jianlin Technological Product Development Co., Ltd.* (重慶建林科技產品發展公司), all being independent third parties.

On April 10, 2002, Shanghai FSY Industry Development and Wang Jisheng, our executive Director, acquired 90% and 10% equity interests in Chongqing Anle Services, respectively, for an aggregate consideration of RMB15.5 million, which was determined based on the registered capital of Chongqing Anle Services. Between 2002 and 2010, Wang Jisheng acted as nominee shareholder to hold the 10% equity interest in Chongqing Anle Services for Shanghai FSY Industry Development. On August 15, 2010, Wu Hua, an employee of our Group, replaced Wang Jisheng as nominee shareholder for Shanghai FSY Industry Development. All nominee arrangements were subsequently terminated when Fumao acquired from Wu Hua 10% equity interest in Chongqing Anle Services for the consideration of RMB0.1 million, which was determined based on the registered capital of Chongqing Anle Services.

3. Shandong FSY Development

Shandong FSY Development was established as a limited liability company under the laws of the PRC on December 29, 2001 with a registered capital of RMB10 million and has been principally engaged in the provision of burial services. When Shandong FSY Development was established, it was held as to 50% by Shandong World Trade Centre* (山東世界貿易中心), an independent third party, 40% by Zhongfu and 10% by Cao Ping (曹平), an independent third party. Zhongfu had been holding 40% interest in Shandong FSY Development as nominee shareholder for Shanghai FSY Industry Development. In 2011, following the equity transfers by Zhongfu and Cao Ping of their respective interests in the company to Chongqing FSY Industrial, Shandong FSY Development was held as to 50% by Chongqing FSY Industrial and 50% by Shandong World Trade Centre. All nominee arrangements were subsequently terminated. After the acquisition, Chongqing FSY Industrial appointed three out of five directors of Shandong FSY Development so as to direct the financial and operational policies of Shandong FSY Development. Shandong FSY Development became an indirect 50%-owned subsidiary of Chongqing FSY Industrial.

4. Hefei Dashushan Co

Hefei Dashushan Co was established as a limited liability company under the laws of the PRC on February 22, 2002 with a registered capital of RMB10 million and has been principally engaged in provision of burial services. When Hefei Dashushan Co was established, it was held as to 40% by Hefei Shushan Lieshi Lingyuan Management Department* (合肥蜀山烈士陵園管理處) ("**Hefei Shushan**"), an independent third party, 40% by Anhe and 20% by Shanghai FSY Industry Development. Anhe acted as nominee shareholder holding 40% interest in Hefei Dashushan Co for Shanghai FSY Industry Development. In 2011, following an equity transfer by Anhe of its interest in the company, Hefei Dashushan Co was held as to 40% by Chongqing FSY Industrial, 40% by Hefei Shushan and 20% by Shanghai FSY Industry Development, with no outstanding nominee arrangement.

5. Henan FSY Industrial

Henan FSY Industrial was established as a limited liability company under the laws of the PRC on July 7, 2003 with an initial registered capital of RMB5 million and has been principally engaged in the provision of burial services. Henan FSY Industrial was established by five individuals, each being an independent third party.

On February 28, 2008, Shanghai FSY Industry Development acquired 55.01% interest in the company for RMB55.56 million. During the three years ended December 31, 2012 and up to January 14, 2013, our Group has 72.76% voting rights in the shareholders' meeting of Henan FSY Industrial, 55% of which was directly held by our Group, and 17.76% of which was assigned unconditionally and without conditions to our Group, while a valid resolution requires more than 66.67% of the vote from all shareholders. Our Group has the practical ability to direct the relevant activities of Henan FSY Industrial unilaterally. Therefore, Henan FSY Industrial is accounted for as a non-wholly owned subsidiary of our Company for the three years ended December 31, 2012 and up to January 14, 2013. Shanghai FSY Industry Development entered into equity transfer agreements with seven individuals, being the then shareholders of Henan FSY Industrial, to acquire the remaining 44.99% equity interest in Henan FSY Industrial on December 14, 2012 and December 16, 2012, respectively, for the aggregate consideration of RMB17.69 million. The registrations of these equity transfers were completed in January 2013 and March 2013, respectively. Upon completion of such equity transfers, Henan FSY Industrial became a wholly-owned subsidiary of Shanghai FSY Industry Development.

6. Jinzhou Maoshan Anling

Jinzhou Maoshan Anling was established as a limited liability company under the laws of the PRC on January 7, 2004 with an initial registered capital of RMB4 million and has been principally engaged in the provision of burial services. The initial registered capital of Jinzhou Maoshan Anling was contributed 51% by Jinzhou City Cemetery Management Department* (錦州市公墓管理處) ("**JCCMD**"), and 49% in aggregate by 20 individuals, including Zhao Limin, who subsequently became the general manager of Jinzhou Maoshan Anling. Of the 20 individuals, Zhao Limin contributed capital for 17.75% interest in the company. All of the individuals were independent third parties.

Between 2007 and 2012, Zhao Limin made a series of acquisitions for an aggregate interest of 66.52% in Jinzhou Maoshan Anling, bringing his total interest in Jinzhou Maoshan Anling to 84.27%. On May 6, 2012, Zhao Limin and Chongqing FSY Industrial entered into the first equity transfer agreement, pursuant to which Zhao Limin agreed to transfer his 50.1% equity interest in Jinzhou Maoshan Anling to Chongqing FSY Industrial for the consideration of RMB60 million, having regard to the results of an independent valuation and following arm's length negotiations. On May 25, 2012, Zhao Limin and Chongqing FSY Industrial entered into a second equity transfer agreement, pursuant to which Zhao Limin agreed to transfer his remaining 34.17% equity interest in Jinzhou Maoshan Anling to Chongqing FSY Industrial for the consideration of RMB10 million, having regard to the results of an independent valuation and following arm's length negotiations. When our Group negotiated with Zhao Limin to acquire his equity interest in Jinzhou Maoshan Anling, the acquisition was negotiated on the basis that the Group would acquire the entire equity interest in Jinzhou Maoshan Anling. Apart from the 84.27% equity interest owned by Zhao Limin at that time, it was agreed that Zhao Limin would assist the Group to acquire the remaining equity interest, including participate in public auction. The consideration was negotiated and agreed based on the valuation of the entire equity interest of Jinzhou Maoshan Anling at that time having regard to the results of an independent valuation, and it was also agreed that the transfer of the 84.27% equity interest would carry out in two tranches. Notwithstanding that the consideration of the equity interest in the two tranches appeared to be different, the total consideration for the acquisition of the entire equity interest in Jinzhou Maoshan Anling remained the same as that agreed between our Group and Zhao Limin.

On December 31, 2012, Zhao Limin acquired the remaining 15.73% interest in Jinzhou Maoshan Anling together with other unrelated assets from JCCMD in a public auction for the consideration of RMB12.35 million. It was agreed between Zhao Limin and our Group that he would assist our Group to acquire the remaining equity interest in Jinzhou Maoshan Anling. As such Zhao Limin participated in the public auction to acquire the 15.73% equity interest. On January 10, 2013, Chongqing FSY industrial entered into a third equity transfer agreement with Zhao Limin pursuant to which Zhao Limin agreed to transfer his 15.73% equity interest in Jinzhin Maoshan Anling to Chongqing FSY Industrial for the consideration of RMB11.0 million, having regard to the results of an independent valuation and following arm's length negotiations. Our Group did not acquire any other assets of JCCMD other than the 15.73% equity interest from Zhao Limin as our Group was of the view that these other assets were not relevant to our Group's business. Upon completion of the above equity transfers, Jinzhou Maoshan Anling became wholly-owned by Chongqing FSY Industrial.

As advised by our PRC legal advisors, Watson & Band Law Offices, the change in ownership of the cemetery owned by Jinzhou Maoshan Anling since its establishment, through equity transfers among our Group, JCCMD and Zhao Limin, complied with the laws and regulations of the PRC.

7. Shanghai Nanyuan

Shanghai Nanyuan was established as a limited liability company under the laws of the PRC on January 25, 2007 with a registered capital of RMB50 million and has been principally engaged in the provision of burial services. The registered capital of Shanghai Nanyuan was contributed 40% by Shanghai Lingang, an independent third party, 20% by Shanghai Agricultural Industrial and Commercial Group East Ocean Company* (上海農工商集團東海總公司), an independent third party and 40% by Shanghai FSY Industry Development. On January 4, 2013, Shanghai FSY Industry Development entered into an agreement with other shareholders of Shanghai Nanyuan, pursuant to which all other shareholders of Shanghai Nanyuan irrecoverably assigned to Shanghai FSY Industry Development the rights to manage and formulate financial and operation policies of Shanghai Nanyuan. Shanghai Nanyuan became a 40% owned subsidiary of our Company.

8. Hefei Renben

Hefei Renben was established as a limited liability company under the laws of the PRC on September 27, 2008 with a registered capital of RMB1.2 million contributed by Hefei Dashushan Co and has been principally engaged in the provision of funeral services. Hefei Renben is our non wholly-owned subsidiary through our interest in Hefei Dashushan Co.

9. Hefei Huazhijian

Hefei Huazhijian was established as a limited liability company under the laws of the PRC on May 13, 2010 with a registered capital of RMB0.5 million contributed by Hefei Dashushan Co and has been principally engaged in the provision of flowers and related designing services. Hefei Huazhijian is our non wholly-owned subsidiary through our interest in Hefei Dashushan Co.

For details of other PRC subsidiaries of our Group, see "Statutory and General Information — A. Further Information About Our Group — 4. Details of subsidiaries and entities owned by our Group" in Appendix V to this prospectus.

B. OUR PRC INTERMEDIATE HOLDING COMPANIES

We underwent the following restructuring steps which involved the establishment and equity transfers of Chongqing FSY LLP and Chongqing FSY Industrial, each our key PRC intermediate holding entities, as well as Shanghai FSY Corporate Management Consultancy and Chongqing Fuyuan:

1. Chongqing FSY LLP

Partnership Structure

Chongqing FSY LLP was established as an LLP under the laws of the PRC on November 10, 2010 with a total capital of US$500 million. Chongqing FSY LLP was held as to 80% by Rich Base, a company beneficially owned by Zhongfu and FSG Holding in equal proportions, as limited partner, 19% by Chongqing FSY Consultancy as limited partner and 1% by Zhang Shiyao as general partner. A nominee arrangement was adopted whereby Zhang Shiyao acted as nominee shareholder for Anhe, Zhongfu and the Group Individual Shareholders. Chongqing FSY LLP is an investment holding entity. Under the PRC partnership law, the respective partners' interests and their shares of distribution in the limited partnership are not required to correspond to the amount of capital contributions made by the partners. The general partner Zhang Shiyao was previously our chief accountant. He held offices in two of our subsidiaries, namely Jinzhou Maoshan Anling at which he was a director and Shanghai Nanyuan at which he was a supervisor. Before the Listing, he had resigned from all offices and positions with the Group. Zhang Shiyao holds 9.86% interests in Double Riches, one of our Shareholders, and in turn indirectly holds 0.786% interests in our Company.

On October 10, 2011, the then partners of Chongqing FSY LLP entered into a partnership agreement pursuant to which Rich Base agreed to transfer its 80% partnership interest in Chongqing FSY LLP to FSY Hong Kong at nil consideration on the basis that Rich Base had not made any contribution to the capital of Chongqing FSY LLP. As a result, FSY Hong Kong became a limited partner of Chongqing FSY LLP. Upon completion of such transfer, Chongqing FSY LLP was held as to 80% by FSY Hong Kong as limited partner, 19% by Chongqing FSY Consultancy as limited partner and 1% by Zhang Shiyao as general partner.

On April 19, 2012, Zhang Shiyao, the general partner of Chongqing FSY LLP, agreed to transfer his 1% partnership interest in Chongqing FSY LLP to Fumao for nil consideration. Fumao has a registered capital of RMB5 million as at the Latest Practicable Date. Upon completion of such transfer, Chongqing FSY LLP was held as to 80% by FSY Hong Kong as limited partner, 19% by Chongqing FSY Consultancy as limited partner, and 1% by Fumao as general partner.

Characteristics of LLP

Chongqing FSY LLP was established as an LLP under the laws of the PRC as an intermediate holding entity of our PRC operating subsidiaries. Compared to a WFOE, an LLP has a number of key features which are different from a WFOE, they are set out below:

	LLP	WFOE
Form of capital contribution . . .	An LLP structure can offer a more flexible approach to the form of capital contribution. It can take the form of tangible property, intellectual property rights, land use rights or other proprietary rights besides cash contribution. There is no minimum percentage of cash contribution for a LLP.	The form of capital contribution of a WFOE includes cash, machinery and equipment, industrial property rights and proprietary technology rights. However, cash contribution from the shareholders shall constitute at least 30% of the registered capital of the WFOE.
Minimum registered capital	There is no requirement on the minimum registered capital for an LLP to become an investment company under the current applicable PRC law.	A WFOE is required to have a minimum US$30 million of registered capital if it intends to be an investment company under the PRC laws and regulations system.
Decision making power	The partners of an LLP enjoy a higher degree of liberty in regulating the relationship between partners as well as the corporate governance and other aspects of the LLP, including distribution of profits and matters relating to investments in other businesses. Decisions of an LLP are made by its partners at their partners meetings, equivalent to board meetings of a WFOE.	Authorities in regulating the WFOE rest with its equity holders. Directors of a WFOE are responsible for executing business operations of the WFOE, they shall act in accordance with the PRC company law and articles of association of the WFOE, and are responsible to the equity holders.
Taxation	An LLP will not be subject to enterprise income tax as only the partners of an LLP will be subject to taxation such as enterprise income tax or personal income tax.	A WFOE will be subject to an enterprise income tax rate of 25% on its income.

There are other restrictions imposed on the foreign investor(s) of a WFOE which plans to make equity investments in other companies which are not applicable to investment in an LLP. In addition, the LLP structure was preferred as under the then PRC law in force in 2010, it was considered as a foreign entity when it invested in other PRC entities, and the LLP structure would allow a more flexible funding structure as foreign funding would not be subject to usual limitations relating to the limits of registered capital that would apply to a WFOE. Therefore, for the purpose of funding our business expansion through our PRC subsidiaries, Chongqing FSY LLP was established in 2010 to become our PRC holding company.

That our PRC holding company takes the form of an LLP will not offer our Shareholders a lesser degree of shareholders protection or lower corporate governance standards compared to those afforded to a WFOE. Our Company controls and manages our operating subsidiaries through our PRC holding company Chongqing FSY LLP. Our ability to control and manage the members of our Group and their business is no less effective than it would have been if Chongqing FSY LLP were to adopt a WFOE structure. Our control, shareholders protection and corporate governance standards are not in any material way compromised by the choice of an LLP structure on the basis that:

(i) *Accountability:* Chongqing FSY LLP is a wholly-owned subsidiary of our Company, with its highest decision making authority vested with its partnership meetings. Both the general partner and the limited partners of Chongqing FSY LLP are wholly-owned subsidiaries of our Company. Comparing this LLP partnership structure with the board of directors structure whose directors are to be nominated by the WFOE's parent, Chongqing FSY LLP is at least equally accountable to our Company and its interests;

(ii) *Decision-making powers:* In terms of their respective highest decision-making authority, the powers that are exercisable under the authority of a partners meeting of Chongqing FSY LLP over its business and other affairs are not limited compared to the scope of the powers typically exercisable at the shareholders meeting of a WFOE. The choice of an LLP over a WFOE will not prejudice the powers enjoyed by our Shareholders over the holding company or its subsidiaries; and

(iii) *Shareholders safeguards:* In terms of business autonomy, shareholders safeguards and corporate governance measures, the partnership agreement is no less restrictive a constitutional document than what would be permissible under the articles of association, the constitutional document for a WFOE. None of the matters agreed in the partnership agreement of Chongqing FSY LLP would result in a lesser shareholder safeguard or a lower corporate governance standard than that offered under typical terms of a WFOE articles of association, considering our wholly-owned structure.

Based on the above reasons, our Company considered that an LLP was and remains a preferred form of intermediate holding entity to hold investments in our PRC operating subsidiaries. As advised by our PRC legal advisors, Watson & Band Law offices, (i) the introduction of the LLP as a holding company for our Group is in compliance with the relevant PRC laws and regulations and does not violate any PRC laws and regulations; and (ii) there is no legal impediment under the PRC laws, rules and regulations for our Group to hold its interests in the PRC subsidiaries via a WFOE rather than an LLP.

In terms of LLP liability, as advised by our PRC legal advisors, Watson and Band Law Offices, the liability of a limited partner to a creditor of an LLP is limited to its equity in the LLP while the general partner is exposed to unlimited liability, which includes its own registered capital and the equity interest in its immediate subsidiaries in the PRC. Further, with Chongqing FSY LLP as our PRC holding company, Fumao's exposure is limited to its registered capital and equity interest in its immediate subsidiaries in the PRC. Since the general partner and limited partners of Chongqing FSY LLP are wholly-owned subsidiaries of our Company, Chongqing FSY LLP is in substance wholly-owned by our Group. Besides, the intermediate holding companies of our Group holding equity interest in the general partner and limited partners of Chongqing FSY LLP are limited liability companies, therefore the unlimited liability nature of the general partner extends only to the limited liability company which holds the general partner's interests and not beyond. The subsidiaries directly owned by Fumao include (i) Chongqing FSY Consultancy, which is a wholly-owned subsidiary of Fumao, with registered capital of RMB10 million, and is an investment holding company; (ii) Shanghai FSY Corporate Management Consultancy, which is owned as to 90% by Fumao and 10% by Shanghai FSY Funeral Arrangement Services (an indirect wholly-owned subsidiary of our Company), with registered capital of RMB5 million, and its principal activity is the provision of consulting services relating to burial and cemetery maintenance; and (iii) Chongqing Anle Funeral Services, which is owned as to 80% by Fumao and 20% by Chongqing Anle Services (an indirect wholly-owned subsidiary of our Company), with registered capital of RMB1 million, and its principal activity is the provision of funeral services. Fumao's immediate subsidiaries, namely, Chongqing FSY Consultancy, Shanghai FSY Corporate Management Consultancy and Chongqing Anle Funeral Services, in aggregate contributed only 4.18% and 4.24% of our revenue for the year ended December 31, 2012 and six months ended June 30, 2013, respectively. As such, we believe that Fumao's immediate subsidiaries and their operations are not material to our Group. For details of the potential risks relating to the use of an LLP in our Group structure, see "Risk Factors — One of our subsidiaries, Fumao, which is the holding company for some of our subsidiaries in the PRC, could potentially be subject to unlimited liability on account of being a general partner of our subsidiary, Chongqing FSY LLP" of this prospectus.

2. Chongqing FSY Industrial

Chongqing FSY Industrial was established as a limited liability company under the laws of the PRC on January 18, 2011 with a registered capital of RMB54.3 million. Chongqing FSY Industrial was held by Chongqing FSY LLP as to 30%, Zhongfu (including Shanghai Zhongfu) as to 35%, and Anhe as to 35%.

Each of Zhongfu (together with its subsidiary Shanghai Zhongfu) and Anhe fulfilled their respective 35% capital contribution obligations by injecting their interests in Shanghai FSY Industry Development, Shandong FSY Development and Hefei Dashushan Co to Chongqing FSY Industrial in return for an aggregate of 70% equity interest in Chongqing FSY Industrial. The remaining 30% interest was acquired by Chongqing FSY LLP. Zhongfu, Shanghai Zhongfu and Anhe held in aggregate 21% interest in Chongqing FSY Industrial as nominee shareholders for the Group Individual Shareholders.

On March 28, 2011, the then shareholders of Chongqing FSY Industrial entered into an equity transfer agreement, pursuant to which Zhongfu, Shanghai Zhongfu and Anhe agreed to transfer an aggregate of 70% in Chongqing FSY Industrial to Chongqing FSY LLP for the total consideration of RMB38 million, which was determined based on the registered capital of Chongqing FSY LLP. After such equity transfers, Chongqing FSY LLP became Chongqing FSY Industrial's sole shareholder. The reasons of such equity transfers were (i) to enable Chongqing FSY LLP to become our PRC holding company; and (ii) to dispose of Anhe's and Zhongfu's respective interests in our PRC subsidiaries in anticipation of their subsequent equity participation of our Group at the offshore holding company level. At the offshore level, the shareholders of Anhe elected to have their interests in our Group to be held through its offshore affiliate FSG Holding. Zhongfu elected to have its interest in our Group to be held through its offshore subsidiary Fulechuan.

3. Shanghai FSY Corporate Management Consultancy

Shanghai FSY Corporate Management Consultancy was established as a limited liability company under the laws of the PRC on September 9, 2002. Shanghai FSY Corporate Management Consultancy is currently an investment holding company and has been principally engaged in the provision of consulting services relating to burial and cemetery maintenance.

On March 8, 2011, Fumao acquired the entire equity interest in Shanghai FSY Corporate Management Consultancy for the consideration of RMB4 million, which was determined based on the registered capital of Shanghai FSY Corporate Management Consultancy.

On October 29, 2012, Fumao and Shanghai FSY Funeral Arrangement Services, each a subsidiary, entered into an equity purchase agreement, pursuant to which Fumao agreed to transfer its 10% shareholding in Shanghai FSY Corporate Management Consultancy to Shanghai FSY Funeral Arrangement Services for the consideration of RMB500,000, which was determined based on the registered capital of Shanghai FSY Corporate Management Consultancy. Upon completion of such transfer, Shanghai FSY Corporate Management Consultancy has been held 90% by Fumao and 10% by Shanghai FSY Funeral Arrangement Services.

4. Chongqing Fuyuan

On January 20, 2012, Chongqing Fuyuan was established through FSY Hong Kong. Chongqing Fuyuan is an investment holding company. On January 13, 2013, Chongqing Fuyuan acquired 100% equity interest in Fumao.

Our other PRC intermediate holding companies are Fumao and Chongqing FSY Consultancy. As advised by our PRC legal advisors, Watson & Band Law Offices, each of these companies was duly established under PRC law and has remained validly existing for the purposes of their investment holdings in our PRC subsidiaries. Further details of these PRC intermediate holding companies of our Group can be referred to "Statutory and General Information — A. Further Information About Our Group — 4. Details of subsidiaries and entities owned by our Group" in Appendix V to this prospectus.

Our PRC Legal advisors, Watson and Band Law Offices, are of the opinion that each of the transfers was properly and legally completed and settled. Change of registration of equity interest was legally completed.

C. FORMATION OF OUR OFFSHORE HOLDING COMPANIES

In preparation for the Global Offering, the following offshore holding companies were incorporated:

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands on January 5, 2012 to serve as the ultimate holding company of our Group. The initial authorized share capital of our Company was US$50,000 divided into 50,000 shares of US$1 each. Upon incorporation, one share was issued and allotted to Offshore Incorporations (Cayman) Limited as the initial subscriber, which was transferred to Treasure Bridge for the consideration of US$1 on the same day.

On July 9, 2013, pursuant to the Shareholder's resolutions passed by Treasure Bridge, (i) the par value of our Shares was sub-divided from US$1 per Share to US$0.01 per Share, and as a result, the total issued share capital of our Company increased to 100 Shares of par value of US$0.01 each; and (ii) Treasure Bridge was issued and allotted 9,900 Shares.

On the same date, Treasure Bridge transferred (i) an aggregate of 22.037% of the issued share capital of our Company to the BVI companies wholly-owned by the Group Direct Individual Shareholders; and (ii) an aggregate of 2.8% to Real Path and Faithful Hope.

On August 19, 2013, Treasure Bridge transferred an aggregate 75.163% of the issued share capital of our Company to Chief Union, FSG Holding and Double Riches. Upon completion, Chief Union, FSG Holding and Double Riches hold 32.2%, 35% and 7.963% of the issued share capital of our Company, respectively.

2. Incorporation of FSY Hong Kong and transfer of the entire issued share capital of FSY Hong Kong to our Company

FSY Hong Kong was incorporated in Hong Kong on October 10, 2011 to act as our intermediate holding company to hold all our businesses in the PRC. Prior to Global Offering, the authorized share capital of FSY Hong Kong is HK$10,000 divided into 10,000 shares of HK$1 each. On February 14, 2013, our Company acquired the entire issued share capital of FSY Hong Kong for the consideration of HK$2, which was determined based on the par value of FSY Hong Kong.

D. OUR SHAREHOLDERS

In preparation for the Global Offering, our Shareholders underwent a series of reorganization, details of which are described below.

Our Shareholders prior to reorganization

1. Treasure Bridge

Treasure Bridge was incorporated in the BVI on October 28, 2011 as an investment holding company. The authorized share capital of Treasure Bridge was US$50,000 divided into 50,000 Shares of US$1 each. On January 5, 2012, 35, 35 and 30 shares of Treasure Bridge were issued and allotted to FSG Holding, Fulechuan and Double Riches, respectively, representing 35%, 35% and 30% of the total issued share capital of Treasure Bridge, respectively.

2. Double Riches

Double Riches was incorporated in the BVI on October 28, 2011 as an investment holding company. The authorized share capital of Double Riches was US$50,000 divided into 50,000 shares of US$1 each. Tan Leon Li-an was the sole shareholder of Double Riches. Double Riches held 30% interest in our Group as nominee shareholder for the Group Individual Shareholders.

3. FSG Holding

FSG Holding was incorporated in the BVI on December 6, 2011 and is an investment holding company. The authorized share capital of FSG Holding is US$50,000 divided into 50,000 shares of US$1.00 each. FSG Holding is held 28.15% by Pacific Millennium Investment Corporation, 22.22% by SChase International Limited, 20% by Fast Answer Limited, 11.11% by Cheng I Chen, and the remaining 18.52% by six individual shareholders. None of the six individuals holds more than 10% interest in FSG Holding. Other than their shareholdings in FSG Holding, all the shareholders of FSG Holding are independent of Zhongfu, the Group Direct Individual Shareholders and the Group Indirect Individual Shareholders. Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Tan Leon Li-an and an ultimate beneficial owner of FSG Holding, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. The remaining ultimate beneficial owners of FSG Holding comprise eight individuals, one of whom is Lin Hung-Ming, our non-executive Director. Other than their shareholdings in FSG Holding, all the ultimate beneficial owners of FSG Holding are independent of Zhongfu, the Group Direct Individual Shareholders and the Group Indirect Individual Shareholders. The ultimate beneficial owners of FSG Holding (and Anhe prior to FSG Holding became a Shareholder of our Group) participated in our Group's development though nomination of Directors to the Board and their shareholding in Anhe/ FSG Holding. The Directors nominated by Anhe/ FSG Holding participated in Board meetings to formulate business strategies and directions of our Group, and contributed to our Group's development, including (i) formulation of our Group's corporate governance policies and business strategies; (ii) offering recommendations to enhance the administrative policies and structure of our Group; and (iii) putting forward potential opportunities identified by Anhe to our Group, for instance Anhe assisted our Group in the establishment of Hefei Dashushan Co in Anhui Province and its initial business start-up.

4. Fulechuan

Fulechuan was incorporated in Thailand on October 19, 2010 and is an investment holding company. The registered capital of Fulechuan is Baht 2,000,000, divided into 2,000 shares at par value of Baht 1,000 each. Upon incorporation in October 2010, 1,998 shares, one share and one share of Fulechuan were issued and allotted to Zhongfu, Bai Xiaojiang, our executive Director, and Zhao Yu, our joint company secretary, respectively. Bai Xiaojiang and Zhao Yu are holding such shares as nominee shareholders for Zhongfu for the purpose of complying the relevant Thai Law which requires at least three shareholders. Zhongfu's decision to incorporate a company in Thailand was solely out of expediency, instead of a strategic choice. Zhongfu intended to set up an overseas company to act as its overseas investment holding entity. According to the Company, since Zhongfu has explored investment opportunities in Thailand before, it is relatively more familiar with the business environment and the relevant legal requirements in Thailand than other places, and it also has some local contacts who could help facilitate the incorporation procedures. Therefore Zhongfu decided to incorporate an overseas company in Thailand. Accordingly, a Thai company, Fulechuan, was incorporated in 2010 and Zhongfu obtained a formal approval of registration from MOFCOM in 2010 approving Zhongfu's investment in Fulechuan. Zhongfu's interest in our Group is held through Fulechuan since (i) Fulechuan is the only overseas incorporated investment holding company owned by Zhongfu within the Zhongfu group at the relevant time; and (ii) it is more convenient for Zhongfu to use an existing overseas company to hold interest in our Group instead of going through certain procedures and incur additional costs to incorporate a new overseas company.

5. Zhongfu

Established on July 15, 1985, Zhongfu traced its origins to China Welfare Fund for the Handicapped (the "**Welfare Fund**"). The Welfare Fund was a foundation established and administered by the PRC State Council and Zhongfu was established as a collectively-owned company by an enterprise under the direct administration of the Welfare Fund. Back in 1985 when Zhongfu was established, the PRC company law had not been enacted and promulgated. Establishment of a PRC enterprise must be sponsored by a PRC government authority. Our PRC legal advisors confirmed that such approach to the enterprise formation was the only way to establish a PRC enterprise before the current PRC company law regime was introduced. In 1990, Zhongfu was redesignated to and under the administration of MCA when the interest of Zhongfu was assigned to China Zhongfu Corporation, which was administered by MCA.

Under the then applicable PRC regulations when Zhongfu was established, there were no requirements for enterprises to have a shareholding structure, minimum registered capital or any capital verification requirements. Therefore, Zhongfu did not have any shareholders at that time and was registered as a collectively-owned enterprise to satisfy the applicable PRC regulations at that time. None of Zhongfu's capital funding was contributed by collectively-owned or state-owned organization. Zhongfu raised its initial working capital in the form of trade credits and bank borrowings after its establishment. Despite Zhongfu was established as a collectively-owned enterprise, the businesses and assets of Zhongfu are not in the nature of collectively-owned or state-owned assets and not subject to collectively-owned or state-owned asset registration requirements. Our PRC legal advisors confirmed that based on the fact that none of Zhongfu's capital funding has a collectively-owned organization or state-owned enterprise source, and none of the

Zhongfu's assets have been registered with SASAC as state-owned assets, Zhongfu's assets were not collectively-owned or state-owned assets and will not be subject to expropriation or nationalization risks as a matter of PRC law.

Zhongfu primarily engages in export and import trading business, investment and provision of consultancy services. Its wide scope of business allowed it to invest in a broad range of business activities except for regulated businesses such as financial services. In particular, Zhongfu is legally permitted to invest in the funeral and burial services sector. Since Zhongfu was under the administration of MCA and MCA is the regulator overseeing the funeral and burial industry in the PRC, Zhongfu had a first mover advantage to familiarize with and seize the potential opportunities in the death care services industry in the PRC back then. Considering the potential of the death care services industry in the PRC, Zhongfu decided to invest in this business with the support of MCA.

Zhongfu, through its wholly-owned subsidiary, established Shanghai FSY Industry Development in 1994. At the early stage of our Group's development, Zhongfu was responsible for supervising the strategic planning and business development of our Group and assigned key management team members to manage the operation of our Group. In addition, Zhongfu also nominated directors to represent itself in board meetings and participated in shareholders' meetings. As our Group developed, Zhongfu continued to exercise its shareholder's rights through its representatives in the board of Shanghai FSY Industry Development and directing its strategic planning and business development.

In response to the PRC government policy to delineate its government and business functions, Zhongfu underwent a shareholding reform in 2000 initiated by MCA. The shareholding reform allowed Zhongfu to redesignate itself into a limited liability company. Following the reform, Zhongfu ceased to be under the administration of MCA. MCA endorsed the establishment of a holding entity by the then management employees of Zhongfu to participate in this reform and became a shareholder. The source of funding of Zhongfu upon and after its shareholding reform in 2000 included funds generated from its business operation and from bank borrowings. As advised by our PRC legal advisors, the then PRC company law required limited liability company to have at least two shareholders. In order to comply with such requirement and complete the shareholding reform, MCA introduced China Shipbuilding and GOAC to act as nominee shareholders of Zhongfu to hold interests on behalf of Hongfu, having considered that (i) China Shipbuilding was a state-owned enterprise directly administered by the PRC central government. At that time, having a strong relationship with the PRC government would give creditability to Zhongfu corporate standing and strengthen corporate image; (ii) GOAC was an administration office of MCA. Considering MCA was (and remains) the regulator for death care services industry in the PRC, maintaining a shareholding relationship between Zhongfu and MCA could facilitate the business development of Zhongfu and our Group's business. As advised by our PRC legal advisors, such nominee arrangement (involving the state-owned enterprise and the administration office of MCA) did not violate the then applicable laws, and was valid and enforceable. At the time when Zhongfu became a limited liability company, it had a registered capital of RMB60 million. The entire capital contribution of Zhongfu was made by Hongfu[(1)], and the entire equity interest of Zhongfu was beneficially owned by Hongfu. Although Zhongfu's equity interest was registered as to 60% by China Shipbuilding, 30% by Hongfu and 10% by GOAC. China Shipbuilding and GOAC acted only as nominee shareholders for Hongfu to hold its interest in Zhongfu. China Shipbuilding and GOAC did not, and were not required to, make any capital contribution to the registered capital of Zhongfu. In addition, we had successive in person and telephone consultations with the deputy director of the Assets Administration Department of SASAC Shanghai branch (上海市國有資產監督管理委員會產權管理處) and the director of Policy and Regulation Department (政策法規處) in 2012 and 2013 to enquire whether Zhongfu's assets would be considered state-owned assets or collectively-owned assets and whether Zhongfu's assets would be required to be registered with any SASAC authority. The deputy director of the Assets Administration Department of SASAC and the director of the Policy and Regulation Department confirmed that (i) Zhongfu's assets are not state-owned assets based on the fact that none of Zhongfu's assets were contributed by state-owned entities; (ii) Zhongfu's assets are not required to be registered with SASAC given that there was no official record confirming that any capital contribution made to Zhongfu were from state-owned entities or Zhongfu's assets were registered as state-owned assets; and (iii) Zhongfu's assets are not within the scope of administration by SASAC.

Our PRC legal advisors have advised that, under applicable PRC laws and regulations, assets ownership is determined with reference to the existence of any government- or state-sourced funding or capital contributions. The fact that assets ownership held by a PRC state-owned company is not a factor which rendered assets ownerships to be state-owned. In this instance, our Group's assets are not state-owned or collectively-owned assets since none of our Group's assets, including assets contributed by our Company's shareholders, have received any funding or capital contributions from any state-owned enterprises or collectively-owned organizations and none of these assets were registered with SASAC. On these bases and our consultations set out above, our PRC legal advisors

Note:

(1) A subsidiary of Zhongfu obtained a RMB60 million loan from the Industrial and Commercial Bank of China, Shanghai Nanshi Branch ("**ICBC Nanshi**"), in October 2000 (the "**Loan**"), and part of the loan had been utilized by Hongfu for contribution to the capital of Zhongfu. We are not in a position to ascertain whether it was permissible under the terms of the relevant loan agreement for Hongfu to utilize the Loan to make capital contribution to Zhongfu. However, we are of the view that even if it was not permissible for Hongfu to make the aforesaid capital contribution under the loan agreement, our PRC legal advisers confirmed that ICBC Nanshi will not be able to claim against Zhongfu's subsidiary for breach of contract since the Loan has been fully settled and limitation of action for such claim had already expired. Hongfu's capital contribution to Zhongfu was from capital contribution to Hongfu of its shareholders, which was sourced by way of borrowings from Zhongfu by such shareholders. Our PRC legal advisors advised that the applicable PRC laws and regulations do not restrict shareholders to source funding from borrowings for capital contribution to other enterprise. On this basis, our PRC advisors advised that the above arrangement (i) did not violate any PRC laws and regulations; (ii) Hongfu's capital contribution to Zhongfu is legal and valid and will not be challenged; (iii) Zhongfu's and the Group's shareholding structures and assets will not be challenged. We have been informed by the Shanghai branch of ICBC that: (i) ICBC Nanshi is no longer in operation; (ii) since such loan was obtained in 2000 (i.e. 13 years ago), there is no record of the loan agreement in ICBC's database and therefore ICBC is not in a position to provide a copy of the loan agreement; and (iii) no record in ICBC's database reveals that the terms and obligations of the loan agreement have not been fulfilled. Based on the above, we are not able to obtain a confirmation from ICBC to confirm whether the utilization of loan from Zhongfu's capital contribution did not violate any terms of the loan agreement. However, the our PRC legal advisors advised that the limitation period for initiating a legal claim for breach of contract is two years under the PRC law and the limitation period starts from the point where the claimant becomes aware of the breach. Since the loan was obtained in 2000, any contractual claim would have been lapsed.

have confirmed that none of our Group's or Zhongfu's assets are state-owned or collectively owned assets and none of these assets were registered as state-owned or collectively owned assets, and thus our Group's entitlement to these assets will not be exposed to any risk of expropriation or nationalization by the PRC government and any challenge to the legal ownership of our assets would not likely to be substantiated. In addition, as advised by our PRC legal advisors, the businesses and assets of our Group are protected under PRC law in the same manner as with other privately-owned assets located in the PRC and the interests of potential public investors could be protected.

In 2005, the PRC company law permitted the enterprise formation following a single shareholder structure. Considering the background of Zhongfu's shareholding reform in 2000, and the fact that China Shipbuilding and GOAC did not make any capital contribution to the registered capital of Zhongfu and were not involved in the business operations of Zhongfu since 2000, Zhongfu decided to streamline its shareholding structure and give clarity to Hongfu's beneficial interest in Zhongfu to take advantage of the recent PRC company law developments. China Shipbuilding and GOAC agreed to proceed with the streamlining process. It was agreed among Hongfu, China Shipbuilding and GOAC that arbitration provided a definitive and authoritative means to ascertain Hongfu's ownership in the registered capital of Zhongfu. Our PRC legal advisors advised that under the relevant PRC laws, the parties have the right to agree on the method of settling the issue, and arbitration is one of the most legally recognized methods. Therefore, Zhongfu went through two arbitrations proceedings, one in 2009 and the other in 2011 to ascertain Hongfu's ownership in the entire equity interest in Zhongfu. Our PRC legal advisors also advised that arbitration awards are considered authoritative and definitive by the SAIC and other PRC government authorities. According to two arbitration awards made by the Shanghai Arbitration committee in 2009 and 2011, respectively, Hongfu ascertained its entire ownership over Zhongfu and has been registered as the sole shareholder since then.

The government offices services bureau of MCA (民政部機關服務局) issued a confirmation letter dated November 25, 2013 confirming (i) the corporate historical developments of Zhongfu leading to its current shareholding structure; and (ii) Zhongfu's assets are not state-owned or collectively-owned assets.

6. Hongfu

Zhongfu underwent a shareholding reform in 2000 initiated by MCA. Pursuant to Zhongfu's shareholding reform, MCA approved the establishment of Hongfu and agreed to the participation of the "then management employees" in Zhongfu's shareholding reform. MCA did not stipulate the period within which Zhongfu was required to determine the composition of the "then management employees".

Hongfu was established as a limited liability company in the PRC on November 28, 2000 by Bai Xiaojiang (our executive Director and the then president of Zhongfu), and Shi Jian (施堅) (director of human resources department of Zhongfu) with a registered capital of RMB39 million. Both Bai Xiaojiang and Shi Jian acted as nominee shareholders for the "then management employees" of Zhongfu. Qiu Zhenda (chairman of Zhongfu's labor union) replaced Shi Jian to act as a nominee shareholder in 2006 when Shi Jian retired. Bai Xiaojiang, Shi Jian and Qiu Zhenda were nominated by a special committee Zhongfu to act as nominee shareholders for the "then management employees", given they represented the then management team and employees by their positions, and they were considered by the special committee as suitable candidates to represent and safeguard the interests of the employees of Zhongfu. Instructions were given by Zhongfu to these three persons in their capacities of the nominee shareholders, and instructions were approved by a special committee of Zhongfu, which comprised representatives from Zhongfu's management, Zhongfu's labor union and Zhongfu's employees, Bai Xiaojiang, Shi Jian and Qiu Zhenda, being the nominee shareholders for the "then management employees", are obligated to follow the instructions given by Zhongfu before the "then management employees" were identified. None of Bai Xiaojiang, Shi Jian and Qiu Zhenda had any interested relationship with the "then management employees", China Shipbuilding and GOAC.

The RMB39 million capital contribution to Hongfu's registered capital was made in the name of the "then management employees", and was financed by borrowings from Zhongfu. Zhongfu borrowed the funds from a PRC bank and on lent the funds to the "then management employees". Except for the fund borrowed from Zhongfu, the "then management employees" did not make any contribution to the equity interest of Hongfu.

Due to the pressing schedule of the shareholding reform in 2000, the composition of the "then management employees" was not confirmed. Zhongfu did not commence internal discussion in relation to the composition of the "then management employees" until 2006 due to the expansion of Zhongfu's operation and changes in personnel. After rounds of discussions, Zhongfu recognized that the large number of employees with diverse background and experiences made it practically difficult to act fairly, and to be seen acting fairly, to identify the "then management employees".

In or around 2008, Zhongfu, after consultation with MCA, proposed to transfer the equity interest in Hongfu originally designated to be held by the "then management employees" to a charitable organization for social charitable purpose under the MCA. In 2009, the equity interest in Hongfu was transferred to China Philanthropy Times, a non-profit organization administered under MCA. The transfer was tentative in nature, pending an enabling regulation to allow charitable social organizations to hold the equity interest. The entire interest in Hongfu was transferred to China Philanthropy Times in 2009 at nil consideration, considering such equity transfer was for social charitable purpose. According to the confirmation letter issued by the government offices services bureau of MCA (民政部機關服務局) dated June 28, 2013, MCA confirmed the validity of the transfer of the equity interest in Hongfu to China Philanthropy Times in 2009. As advised by our PRC legal advisors, (i) the equity transfer is legal, valid and binding; (ii) our Group's entitlement to assets it currently owns would not be subject to any challenges from third parties (including persons holding out to be a member of the then management employees). This is on the basis that (a) MCA has acknowledged and confirmed the transfer of equity interest in Hongfu to China Philanthropy Times in its confirmation letter issued on June 28, 2013; (b) no employee of Zhongfu was identified as the "then management employees" and none of them can substantiate a claim that he/she is entitled to the equity interest in Hongfu; (c) the "then management employees" did not make any capital contribution for the equity interest in Hongfu; and (d) the limitation period for initiating a legal claim for breach of contract is two years under the PRC law. The limitation period starts from the point where the claimant becomes aware of the Breach. The equity transfer of Hongfu to China Philanthropy was widely published four years ago. Any contractual claim would have lapsed.

In its letter dated November 25, 2013, the government offices services bureau of MCA (民政部機關服務局) has confirmed that (i) there were no identifications of the "then management employees" by Zhongfu; and (ii) the equity transfer from the "then management employees" to China Philanthropy Times was in order.

In 2013, the interest in Hongfu was transferred to NGO 1 and NGO 2 upon NGO 1 and NGO 2's establishment. For further details of such transfers, see "Reorganization at the Shareholders' Level — 8. Transfer of equity interest in Hongfu to NGO 1 and NGO 2" in this section below.

China Philanthropy Times was the then sole shareholder of Hongfu prior to the reorganization at the Shareholders' level set out in this section below. Hongfu primarily engages in the business of merchandizing products, including electrical and electronic equipment, timber, metal and other processed products.

7. China Philanthropy Times

China Philanthropy Times was established by CASW in the PRC on February 28, 2001. It has a registered capital of RMB1.9 million. CASW is the sole shareholder of China Philanthropy Times. China Philanthropy Times is registered as an "enterprise owned by the people" (全民所有制企業) but is a non-profit making organization in essence. The purpose of China Philanthropy Times is to promote social benefits, and currently it publishes the "China Philanthropy Times" (《公益時報》), a national online and printed publication that focuses on charitable and philanthropistic reporting and it also organizes charitable activities. According to China Philanthropy Times' articles of association, 40% of the profit of China Philanthropy Times must be used for its own development, instead of distributing the entire profit to its founders. An "enterprise owned by the people" is legally allowed to hold interests in profit-making entities. As advised by our PRC legal advisors, China Philanthropy Times is not in a position to exert influence on any matters relating to our Group, including appointment of board members of our Company since it is currently not a direct or indirect shareholder of our Group.

8. CASW

Registered with the MCA, CASW is a non-profit social organization that represents social workers in the PRC. As a non-profit social organization, CASW should perform activities in accordance with its articles of association for the realization of the common desires of the membership. Its stated objectives include the development and promotion of the profession of social services.

Non-profit social organizations including CASW can only be established by Chinese citizens. CASW, as a non-profit social organization, is restricted from engaging in profit-making business operations but it can set up branches and private non-enterprise units. Further, as advised by our PRC legal advisors, Watson & Band Law Offices, the PRC laws, rules and regulations do not impose strict obligations on non-profit social organizations, and non-profit social organizations like CASW should carry out social activities according to their articles of association and should not be in violation of coercive laws.

Roles, obligations and restrictions of China Philanthropy Times, NGO 1, NGO 2 and CASW

A "*private non-enterprise unit*" is a social organization formed by an enterprise, social organization, other social force or individual Chinese nationals using non-state owned assets to engage in non-profit making social service activities.

A "*non-profit social organization*" is a non-profit organization voluntarily formed by Chinese nationals for the purpose of furthering its members' aims through conducting its activities in accordance with its articles of association. Examples of non-profit social organizations in the PRC include the PRC Bar Association and the Chinese Writers' Association.

The definition of a "*non-profit making organization*" is, however, not clearly prescribed under PRC law but it is a general description of an enterprise whose purpose is prescribed in its articles of association to be non-profit making and to enhance public welfare.

The role of each of China Philanthropy Times, NGO 1, NGO 2 and CASW is to engage in non-profit making social service activities.

The obligation of China Philanthropy Times, NGO 1, NGO 2 and CASW is to carry out their social objectives according to their respective articles of association. In accordance with their respective articles of associations, both NGO 1 and NGO 2 are to develop social services and activities for the elderly; CASW is to develop social activities and be a constructive force in the society; and China Philanthropy Times is to publish and issue the China Philanthropy Times, a publication focusing on charity and social causes, as well as to organize and develop activities related to social services. The articles of association of China Philanthropy Times further requires that 40% of China Philanthropy Times' profits must be applied to the organization's own development in furtherance of its social purpose.

The restrictions imposed on China Philanthropy Times, NGO 1, NGO 2 and CASW are that: (i) none of them may directly engage in profit-making business operations (this does not restrict their ability to hold interests in profit-making businesses); (ii) they cannot be in violation of the coercive laws and regulations of the PRC; (iii) NGO 1 and NGO 2, as private non-enterprise units cannot set up a non-profit social organization or branches; and (iv) CASW, as a non-profit social organization, can only be established by Chinese citizens.

As advised and confirmed by our PRC legal advisors, non-profit making organizations are prohibited in engaging directly in profit making business but are not prohibited to own equity interest in profit making business. Based on the written confirmations issued by the Civil Organization Administration Bureau of the MCA on October 24, 2013, which confirmed, among other things, that (i) non-profit making organizations are not permitted to engage directly in profit making business; and (ii) non-profit making organizations are not prohibited to hold equity interest in profit making company under the current PRC law, and the current PRC laws and regulations, our PRC legal advisors confirmed that China Philanthropy Times, NGO 1 and NGO 2 directly/indirectly holding equity interest in profit making business does not breach any current PRC laws and regulations. Our PRC legal advisors also confirmed that the Civil Organization Administration Bureau, an authority directly administered under the MCA, is a competent authority to provide confirmations in this respect.

Reorganization at the Shareholders' Level

1. Transfer of shares of Chief Union from our Company to Fulechuan

On July 9, 2013, our Company transferred the entire issued share capital of Chief Union to Fulechuan for the consideration of US$100, which was determined based on the par value of the share of Chief Union. Upon completion of such transfer, Fulechuan became the sole shareholder of Chief Union. Fulechuan elected to have a holding company to hold its interests in our Group. Instead of incorporating a new offshore company, Fulechuan elected to acquire Chief Union, the then subsidiary of the Company. Chief Union had been a dormant company with no business activities.

2. Transfer of 35% interest in Treasure Bridge from Fulechuan to Chief Union

On July 9, 2013, Fulechuan transferred its 35% interest in Treasure Bridge to Chief Union for the consideration of US$35, which was determined based on the par value of the share of Treasure Bridge. Upon completion of such transfer, Chief Union held 35% of the issued share capital of Treasure Bridge.

3. Transfer of shares of Treasure Bridge by Double Riches to the Group Direct Individual Shareholders

In order for the Group Direct Individual Shareholders to directly hold Shares, on July 9, 2013, Double Riches transferred certain of its shares in Treasure Bridge to the BVI companies wholly-owned by the Group Direct Individual Shareholders, details of which are set forth in the following table:

	BVI companies (Name of Group Direct Individual Shareholders)	Number of shares of Treasure Bridge transferred	Percentage of shareholding in Treasure Bridge (%)	Consideration (US$)[(1)]
1.	Real Path (Zhao Yu)	1.149	1.149	1.149
2.	Spinning Seed (Woo Tsun Hung Jonathan)	0.396	0.396	0.396
3.	Wish and Catch (Bai Xiaojiang)	6.44	6.44	6.44
4.	Twirling Ball (Qu Ping)	0.788	0.788	0.788
5.	Bang Fu (Zhang Bin)	1.184	1.184	1.184
6.	Mobile Wish (Pak Hiu So)	1.776	1.776	1.776
7.	Grand Fire (Lu Hesheng)	1.84	1.84	1.84
8.	Peaceful Field (Wang Jisheng)	6.44	6.44	6.44
9.	Stelle Land (Wu Pui Ngai)	0.92	0.92	0.92
10.	Asia Today (Zhao Yueming)	1.104	1.104	1.104
	Total	22.037	22.037	22.037

Note:

(1) The considerations were determined based on the par value of the share in Treasure Bridge.

4. Repurchases of shares in Treasure Bridge from each of the BVI companies wholly-owned by the Group Direct Individual Shareholders

In order to enable the Group Direct Individual Shareholders to directly hold Shares, on July 9, 2013, Treasure Bridge repurchased all the Treasure Bridge shares set out in paragraph 3 above held by each of the BVI companies wholly-owned by the Group Direct Individual Shareholders in consideration of transferring certain Shares to each of these BVI companies. The repurchased shares were immediately cancelled. Details of the considerations for the above repurchases by Treasure Bridge are set forth in the following table:

	BVI Companies (Name of Group Direct Individual Shareholders)	Number of Shares of our Company transferred as consideration for the repurchases	Percentage of Shareholding in our Company (%)
1.	Real Path (Zhao Yu)	114.9	1.149
2.	Spinning Seed (Woo Tsun Hung Jonathan)	39.6	0.396
3.	Wish and Catch (Bai Xiaojiang)	644	6.44
4.	Twirling Ball (Qu Ping)	78.8	0.788
5.	Bang Fu (Zhang Bin)	118.4	1.184
6.	Mobile Wish (Pak Hiu So)	177.6	1.776
7.	Grand Fire (Lu Hesheng)	184	1.84
8.	Peaceful Field (Wang Jisheng)	644	6.44
9.	Stelle Land (Wu Pui Ngai)	92	0.92
10.	Asia Today (Zhao Yueming)	110.4	1.104
	Total	2,203.7	22.037

5. Transfer of an aggregate of 2.8% interest in Treasure Bridge to each of the BVI companies wholly-owned by Zhao Yu and Zhao Zhichao

In August 2009, as an incentive to Zhao Yu, our joint company secretary, to join our Group, Zhongfu agreed to transfer 2.8% of its beneficial interest in our Group to Zhao Yu or any party designated by him. Zhao Yu directed Zhongfu to transfer such beneficial interest to Faithful Hope, a company then held as to 30% by Zhao Yu and as to 70% by Zhao Zhichao, a relative of Zhao Yu. Zhongfu acted as nominee shareholder for such beneficial interest for Faithful Hope. Zhao Yu was beneficially interested in 0.84% (30% of 2.8%) in our Group and Zhao Zhichao was beneficially interested in 1.96% (70% of 2.8%) in our Group.

On July 9, 2013, Zhao Yu and Zhao Zhichao elected to hold our Shares directly. Zhongfu agreed to transfer 0.84% and 1.96% of shares in Treasure Bridge to Real Path (wholly-owned by Zhao Yu) and Faithful Hope (wholly-owned by Zhao Zhichao) for the considerations of US$0.84 and US$1.96, respectively, which were determined based on the par value of the share in Treasure Bridge.

On the same date, Treasure Bridge repurchased 0.84% and 1.96% of the issued share capital of Treasure Bridge from each of Real Path and Faithful Hope in consideration of Treasure Bridge transferring to Real Path and Faithful Hope 0.84% and 1.96% of the issued share capital of our Company, respectively. Upon completion of the above transfers, (i) Treasure Bridge was held 42.8402% by Chief Union, 46.5655% by FSG Holding, 10.5943% by Double Riches; and (ii) our Company was held 75.163% by Treasure Bridge and 24.837% by the Group Direct Individual Shareholders. The nominee arrangement between Zhongfu and Faithful Hope was subsequently terminated.

6. Transfer of shares in Double Riches from Tan Leon Li-an to the Group Indirect Individual Shareholders

On July 9, 2013, Tan Leon Li-an, the then sole shareholder of Double Riches, transferred the entire issued share capital in Double Riches to the Group Indirect Individual Shareholders, details of which are set forth in the following table:

Transferee	Percentage of shareholding in Double Riches transferred (%)	Consideration paid by the transferee to Tan Leon Li-an[(1)] (US$)
(1) Ge Qiansong	34.66	1.0398
(2) Tan Li Kang	23.11	0.6933
(3) Yi Hua	23.11	0.6933
(4) Wu Yibo	2.31	0.0693
(5) Wang Qiong	2.31	0.0693
(6) Le Jiasheng	2.31	0.0693
(7) Wu Jianzhong	1.17	0.0351
(8) Xu Yong	0.58	0.0174
(9) Zhou Chen	0.58	0.0174
(10) Zhang Shiyao	9.86	0.2958

Note:

(1) The considerations were determined based on the par value of the share in Double Riches.

Following completion of the above share transfers, the nominee arrangements between Double Riches and the Group Indirect Individual Shareholders were subsequently terminated.

7. Establishment of NGO 1 and NGO 2

NGO 1 was established as a private non-enterprise unit in the PRC on July 26, 2013 by five promoters, namely China Philanthropy Times, Bai Xiaojiang (our executive Director), Lu Xiaoping (呂小平) (an employee of Zhongfu), Yao Lixin (姚立新) (an employee of Zhongfu) and Shanghai Zhongfu City Investment and Construction Co., Ltd.* (上海中福城市投資建設有限公司) (a wholly-owned subsidiary of Zhongfu). Each promoter contributed a sum of RMB100,000 to the capital of NGO 1.

NGO 2 was established as a private non-enterprise unit in the PRC on July 26, 2013 by five promoters, namely China Philanthropy Times, Bai Xiaojiang (our executive Director), Wang Jisheng (our executive Director), Qiu Zhenda (裘真大) (an employee of Zhongfu), and Shanghai Zhongfu Petrochemical Industry Co., Ltd.* (上海中福石化實業有限公司) (a subsidiary of Zhongfu). Each promoter contributed a sum of RMB100,000 to the capital of NGO 2.

Each of NGO 1 and NGO 2 is managed by its governance committee set up pursuant to its articles of association. The duties and powers of the governance committee are set out in their respective articles of association. The governance committee has the powers to make major decisions on behalf of the relevant unit, similar to those typically given to a board of directors in a private company. The respective promoters of NGO 1 and NGO 2 can nominate or replace members of the governance committee and they have each nominated a member to their respective governance committees. There are five promoters to each of NGO 1 and NGO 2. Private non-enterprise units, including NGO 1 and NGO 2, are not required under the PRC law to have registered capital and a shareholder structure. Neither NGO 1 nor NGO 2 have a shareholder structure. Accordingly none of the promoters are entitled to any form of distribution from NGO 1 or NGO 2. Private non-enterprise units in the PRC, including NGO 1 and NGO 2, refer to social organizations established by enterprises, institutions, societies, and other social forces as well as individuals with non-state-owned assets for non-profit social activities. All profits of NGO 1 and NGO 2 must be applied toward the objectives as stated in their respective articles of association. The objectives of these two units are to manage and promote retirement, social welfare and charitable purposes for the elderly in the PRC, under the supervision of the local Bureau of Civil Affairs. To the extent NGO 1 and NGO 2 remain as indirect shareholders of our Company and the objectives stated in their respective articles of associations not being amended, any dividends declared and paid by the Company to NGO 1 and NGO 2, through their holding companies, namely Hongfu, Zhongfu, Fulechuan and Chief Union, will be used by NGO 1 and NGO 2 in accordance with the objectives stated in their respective articles of associations for the betterment of society. NGO 1 and NGO 2, as private non-enterprise units, are restricted from directly engaging in profit-making business operations and cannot set up non-profit social organizations and branches. However, they are legally allowed to hold interests in profit-making entities. As advised by our PRC legal advisors, Watson & Band Law Offices, the PRC laws, rules and regulations do not impose strict obligations on private non-enterprise units, and private non-enterprise units like NGO 1 and NGO 2 should carry out social activities according to their articles of association and should not be in violation of coercive laws.

8. Transfer of equity interest in Hongfu to NGO 1 and NGO 2

Before 2009, Qiu Zhenda and Bai Xiaojiang acted as nominee shareholders of Hongfu for Zhongfu. In 2009, Qiu Zhenda and Bai Xiaojiang intended to transfer their interests in Hongfu to a social charitable organization. The changes in Hongfu's shareholding structure in 2009 (and in 2013 as set out below) were partially impacted by changes in PRC policies in the establishment of charitable organizations at that time. As set out in the confirmations from the government offices services bureau of MCA (民政部機關服務局) issued on June 28, 2013 and CASW issued on July 2, 2013, the establishment of charitable organizations was of limited feasibility at the time of 2009 not because of prohibitions in PRC law, but due to the lack of implementation guidelines for establishing charitable organizations in the form of private non-enterprise units, which was the applicable and appropriate legal entity structure for holding the equity interest in Hongfu. Therefore, as an interim arrangement to ensure that Hongfu's interests could be transferred to social charitable organizations when it became feasible, Hongfu's shareholders and China Philanthropy Times agreed that Hongfu's interests be transferred to China Philanthropy Times first at nil consideration in 2009 for social charitable purpose. As announced by the MCA in March 2013, the National People's Congress became supportive to the establishment of social charitable organizations in the form of private non-enterprise units and their establishment became practicably viable. Thus, pursuant to the aforesaid agreement with Hongfu's shareholders, NGO 1 and NGO 2 were established and China Philanthropy Times could take steps to transfer its equity interest in Hongfu to NGO 1 and NGO 2 in equal proportions. Further, as set out in the confirmations aforementioned, each of the government offices services bureau of MCA (民政部機關服務局) and CASW is aware of, acknowledges and supports, among others, the above-mentioned interim arrangement, the arrangement regarding the establishment of social charitable organizations in the PRC in 2013, the establishment of NGO 1 and NGO 2, the transfer of Hongfu's interest to NGO 1 and NGO 2 and the Listing. Based on these, our PRC legal advisors, Watson & Band Law Offices, advised us that such shareholding changes in Hongfu were consistent with changes in the PRC policies at relevant time.

Based on the confirmation letters issued by the government offices services bureau of MCA (民政部機關服務局) on June 28, 2013 and November 25, 2013, MCA confirmed that, among other things, Zhongfu had the authority to transfer the equity interest in Hongfu then held by the "then management employees" to China Philanthropy Times in 2009. Our PRC legal advisors advised that, based on the confirmation letter issued by the government offices services bureau of MCA (民政部機關服務局), the transfer of the equity interest in Hongfu to China Philanthropy Times was legal, valid and binding. Since Zhongfu did not have any shareholders, no approval from shareholders are required.

Since the composition of "then management employees" was not identified, no such person was in a position to consent to the transfer of the equity interest in Hongfu to China Philanthropy Times. The confirmation letters issued by the government offices services bureau of MCA (民政部機關服務局) confirmed that Zhongfu had the authority to transfer of the equity interest in Hongfu to China Philanthropy Times and our PRC legal advisors advised that such transfer is legal, valid and binding.

Our PRC legal advisers further advised that the potential risk on the corporate structure is remote on the basis that (i) MCA has acknowledged and confirmed the transfer of equity interest in Hongfu to China Philanthropy Times in its confirmation letter issued on June 28, 2013 and our PRC legal advisors advised that such transfer is valid and binding; (ii) no employee of Zhongfu was identified as the "then management employees" and none of them can substantiate a claim that he/she is entitled to the equity interest in Hongfu; (iii) the "then management employees" did not make any capital contribution for the equity interest in Hongfu; and (iv) the limitation period for initiating a legal claim for breach of contract is two years under the PRC law. The limitation period starts from the point where the claimant becomes aware of the breach. The equity transfer of Hongfu to China Philanthropy Times was widely published four years ago. Any contractual claim would have lapsed. On these bases, as advised by our PRC legal advisors, our entitlement to our current assets would not be subject to any challenges from third parties (including persons holding out to be a member of the then management employees).

Since the transfer of equity interest in Hongfu to China Philanthropy Times was a donation for social charitable purpose which helped realize Zhongfu's intention to contribute to the society of the PRC, the MCA had not challenged the reasonableness of such transfer in its confirmation letter issued on June 28, 2013 and our PRC legal advisors have advised that the transfer was legal, valid and binding, the Sole Sponsor considers that such transfer at nil consideration to China Philanthropy Times was reasonable in light of the situation faced by Zhongfu and Hongfu at the relevant time.

Each of China Philanthropy Times, NGO 1 and NGO 2 is administered by MCA, Shanghai Administration of Civil Affairs and Shanghai Qingpu Administration of Civil Affairs, respectively, with a shared objective of furthering social welfare causes. With the continued shared administration by MCA, the transfers of Hongfu's interest to NGO 1 and NGO 2 are not expected to have any substantive impact on the purposes and investment objectives of Hongfu's holdings. As advised by our PRC legal advisors, Watson & Band Law Offices, and the Sole Sponsor's PRC legal advisors, Jingtian & Gongcheng, it is not prohibited under the PRC laws for NGO 1 and NGO 2, being non-profit-making social charitable organizations, to hold interests in and to obtain overseas listings of profit-making entities, such as our Group's business, or for the profit-making entities held by non-profit making social charitable organizations to raise funds through listing on the Stock Exchange. Our Group has also consulted the government offices services bureau of MCA and CASW, being the founder and business supervisor of China Philanthropic Times, respectively, in this regard and it was confirmed by way of written confirmations that they (i) are fully aware of NGO 1's and NGO 2's interests in our Group's business; (ii) agreed to China Philanthropy Times' transfer of its interest in our Group to each of NGO 1 and NGO 2; and (iii) are supportive of our Company's proposed listing on the Stock Exchange. Any dividends received by NGO 1 and NGO 2 from our Group will be used solely for social charitable purposes stipulated in the respective constitutional documents of each of NGO 1 and NGO 2, which MCA is fully informed. Our PRC legal advisors also confirmed that the Government Offices Administration of MCA, an authority administered by the MCA, is a competent authority to provide confirmation in this respect.

Therefore, on July 31, 2013, each of NGO 1 and NGO 2 entered into equity transfer agreement with China Philanthropy Times, pursuant to which China Philanthropy Times agreed to transfer 50% equity interest in Hongfu to each of NGO 1 and NGO 2 both for nil consideration. Upon completion of the equity transfers, each of NGO 1 and NGO 2 holds 50% equity interest in Hongfu.

As advised by our PRC legal advisors, NGO 1 and NGO 2, being indirect shareholders of our Group, can only indirectly exert influence on the Group through the exercise of voting rights at the shareholders level of Hongfu. In addition, as advised by our PRC legal advisors, Hongfu underwent several equity transfers and each of these equity transfers was not in violation of the then applicable PRC laws and regulations.

9. Transfer of Shares from Treasure Bridge to Chief Union, FSG Holding and Double Riches

On August 19, 2013, Treasure Bridge transferred 32.2%, 35% and 7.963% of the issued share capital of our Company to Chief Union, FSG Holding and Double Riches, respectively, for an aggregate consideration of US$75.163, which was determined based on the par value of our Shares. Upon completion of these share transfers, our Company is owned 35% by FSG Holding, 32.2% by Chief Union, 24.837% by the Group Direct Individual Shareholders and 7.963% by Double Riches. The Group Direct Individual Shareholders are not acting in concert.

E. THE PRE-IPO SHARE OPTION SCHEME

On March 10, 2013, we adopted the Pre-IPO Share Option Scheme, pursuant to which certain Directors, senior management and employees of our Group, and persons who had made important contributions to our Group, have been granted options prior to the Listing Date to subscribe our Shares. The principal terms of the Pre-IPO Share Option Scheme and particulars of the options granted are set out in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

F. THE CAPITALIZATION ISSUE

Subject to the conditions for completion of the Global Offering being fulfilled, our Company will issue and allot an aggregate 1,499,990,000 Shares, credited as fully paid at par value, to each of our existing Shareholders by way of capitalization of the sum of US$14,999,900. Upon completion of the Capitalization Issue, our existing Shareholders will hold 75% of our issued share capital immediately after completion of the Global Offering.

G. COMPLIANCE WITH PRC LAWS

Approval from MOFCOM is required if Listing involves merger and acquisition by foreign investors

Our Company indirectly holds all onshore assets through two foreign-invested enterprises, namely Chongqing FSY LLP and Chongqing Fuyuan.

On August 8, 2006, six ministries and commissions including the CSRC and MOFCOM jointly promulgated the New M&A Rules, which was amended on June 22, 2009. According to the requirements under the New M&A Rules, a domestic company, enterprise or natural person shall file with MOFCOM for approval in respect of its merger and acquisition of a domestic company which is related to it through an offshore company legally established or controlled by it. The New M&A Rules apply in following circumstances: (i) a foreign investor purchases the equity of a shareholder of a non-foreign-invested enterprise in the PRC ("**domestic company**") or subscribes to the increased capital of a domestic company so as to convert and re-establish a domestic company as a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise and purchases and operates the assets of a domestic company by the agreement of that company; or (iii) a foreign investor purchases the assets of a domestic company by agreement and uses this investment to establish foreign-invested enterprise and operate the assets. It is further specified in "V. Instructions for approval of merger and acquisition(關於併購的審批説明)" in the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》) that the subject companies in merger and acquisition as referred to in the New M&A Rules only include domestic companies. A transfer of equity from a Chinese party to a foreign party in an established foreign invested enterprise is not subject to the New M&A Rules whether or not there is a relationship between the Chinese party and the foreign party or the foreign party is an original shareholder or a new investor.

During the process of reorganization mentioned above, (i) the establishment of the wholly foreign owned enterprise, Chongqing Fuyuan, by our Company, and the acquisition of 100% equity interest in Fumao by Chongqing Fuyuan, are governed by laws and regulations in relation to wholly foreign owned enterprises such as the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) and its implementing rules, and the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (關於外商投資企業境內投資的暫行規定), respectively, in respect of which our Company has obtained approval from, and registered with, the competent government authorities; (ii) the acquisition of the 80% equity interest in Chongqing FSY LLP is governed by the Law of the PRC on Partnership Enterprises (《中華人民共和國合夥企業法》), the Administrative Measures for the Establishment of Partnership Enterprises in China by Foreign Enterprises or Individuals (《外國企業或者個人在中國境內設立合夥企業管理辦法》) and other requirements under laws in relation to foreign-invested partnership enterprises, respectively, in respect of which our Company has obtained approval from, and registered with, the competent government authorities; and (iii) our Company is not an entity established or controlled by a domestic company, enterprise or natural person.

Therefore, our PRC legal advisors, Watson & Band Law Offices, are of the view that our Company has obtained approval from, and registered with, the competent government authorities in respect of its acquisition and ownership of onshore assets and that these transactions do not constitute a "merger and acquisition of a domestic enterprise by foreign investors" as defined in the New M&A Rules, and consequently the Company was not required to obtain the approval from MOFCOM as required in the New M&A Rules.

Chongqing FSY LLP was established as the holding company for our Group's PRC subsidiaries and Chongqing FSY Industrial was established to engage in our Group's funeral services in Chongqing. At the time that our Group was exploring funeral services business opportunities in Chongqing, the local government had launched a pilot scheme to promote the LLP structure as an investment platform for foreign investment and the Finance Affairs Office of Chongqing City (重慶市金融工作辦公室) recommended the LLP structure to our Group. In view of the support and recommendation from the local government and after careful consideration of the characteristics of an LLP (in the form of capital contributions, funding structure, taxation and other advantages as disclosed in "1. Chongqing FSY LLP - Characteristics of LLP" in this section above), our Group decided to adopt the LLP structure instead of a WFOE structure and Chongqing FSY LLP was established, becoming one of the first batch of foreign investment enterprises which adopted the foreign-invested LLP structure in that locality. Thus, such establishment was not intended to be a step to circumvent the New M&A Rules.

Our Group submitted all the necessary documents and fully disclosed the offshore and onshore aspects of the establishment and the equity transfer of Chongqing FSY LLP and Chongqing FSY Industrial to, and obtained the necessary approvals from, the local government authorities. Furthermore, according to the confirmation letters issued by the Industry Administration Bureau of the Northern New District (重慶市北部新區產業管理局), the Management Committee of Chongqing Northern New District and the verbal confirmation to us from the Finance Affairs Office of Chongqing City (重慶市金融工作辦公室) (hereinafter the "**Local Government Authority**"), it was further confirmed that our Group has obtained all necessary approvals for such transfer. The Local Government Authority is of the opinion that our Company has fully disclosed the background information about Chongqing FSY LLP, Chongqing FSY Industrial and their offshore and onshore structures, including all relevant information of our Group, and the New M&A Rules do not apply to each of the equity transfer of Chongqing FSY LLP and Chongqing FSY Industrial. As confirmed by our PRC legal advisor, Watson & Band Law offices and the Sole Sponsor's PRC legal advisor, Jingtian & Gongcheng, the reorganization of our Group in this manner was not deemed to be a scheme to circumvent any laws, rules or regulations in the PRC by the Local Government Authority, and that our Group has obtained all the necessary approvals from government authorities in respect of the above establishment and equity transfers without any breach of laws or non-compliance with regulations of the PRC. Our PRC legal advisors also confirmed that the Local Government Authority, authorities administered by the MOFCOM of Chongqing and the People's Government of Chongqing City, respectively, are all competent authorities to provide confirmation in this respect.

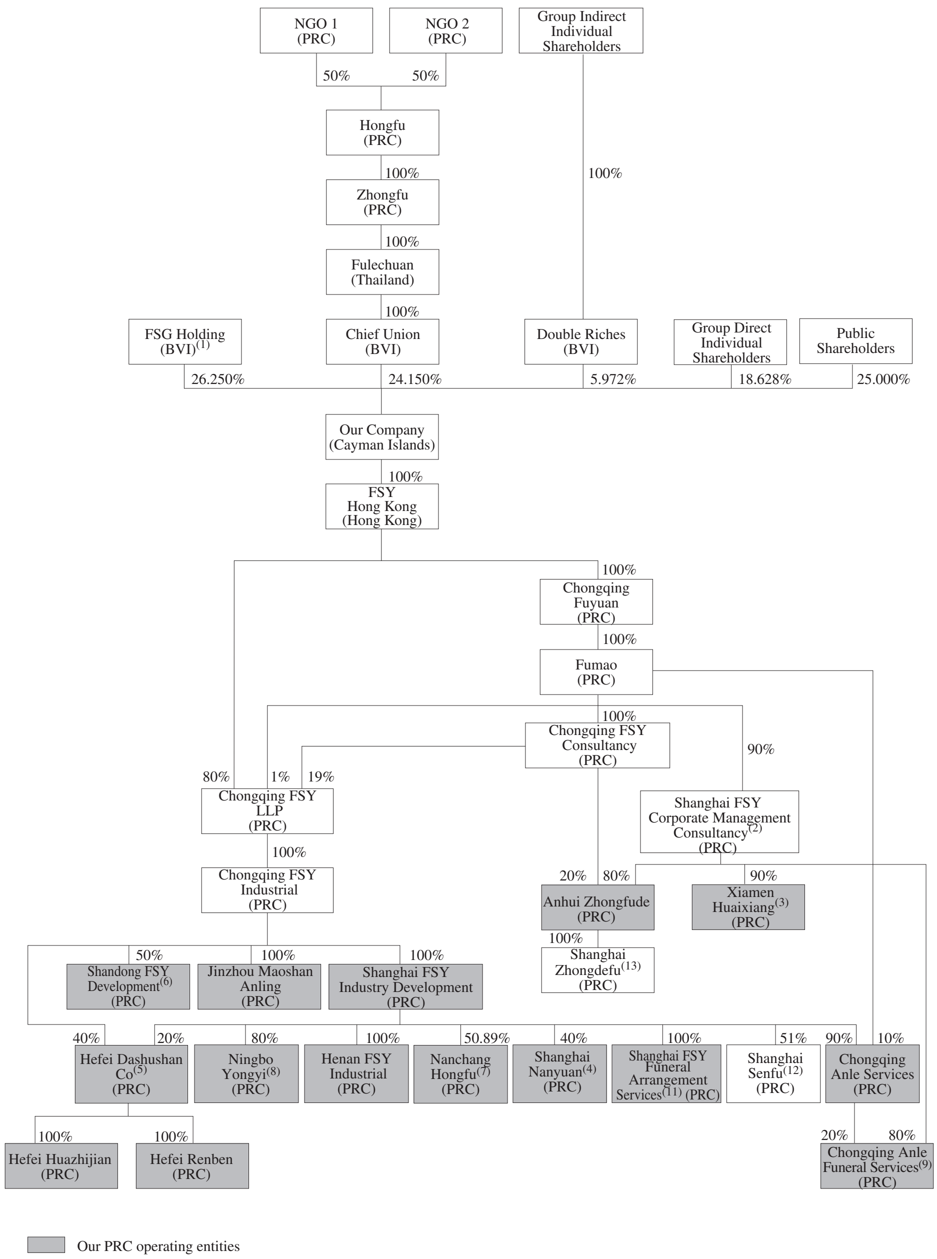
Foreign exchange approval required by Circular 75

Bai Xiaojiang, Tan Li Kang, Zhang Bin, Lu Hesheng, Wang Jisheng, Zhao Yueming, Zhao Yu, Ge Qiansong, Yi Hua, Wu Yibo, Wang Qiong, Le Jiasheng, Wu Jianzhong, Xu Yong, Zhou Chen, Zhao Zhichao and Zhang Shiyao, each a citizen of the PRC, intended to indirectly hold their respective equity interests in Chongqing FSY LLP and Chongqing Fuyuan (each a PRC domestic enterprise), through their offshore special purpose vehicles which in turn hold their interests in our Company.

To achieve such offshore holdings, Bai Xiaojiang, Tan Li Kang, Zhang Bin, Lu Hesheng, Wang Jisheng, Zhao Yueming, Zhao Yu, Ge Qiansong, Yi Hua, Wu Yibo, Wang Qiong, Le Jiasheng, Wu Jianzhong, Xu Yong, Zhou Chen, Zhao Zhichao and Zhang Shiyao filed the initial applications for Circular 75 registration with Chongqing SAFE and the applications were accepted on July 11, 2013. A followed-up application was made on November 13, 2013 and such application was accepted on November 22, 2013. The Circular 75 registrations for the above-mentioned individuals were completed on December 4, 2013 and our PRC legal advisors have confirmed that we are be in compliance with the regulations on foreign currency exchange.

(IV) OUR CORPORATE STRUCTURE IMMEDIATELY AFTER THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

The following chart sets forth our corporate structure immediately following completion of the Capitalization Issue and the Global Offering (assuming that (i) the Over-allotment Option has not been exercised; (ii) the options granted under the Pre-IPO Share Option Scheme have not been exercised; and (iii) no options have been granted under the Share Option Scheme):



Notes:

(1) FSG Holding is owned 28.15% by Pacific Millennium Investment Corporation, 22.22% by SChase International Limited, 20% by Fast Answer Limited, 11.11% by Cheng I Chen, and the remaining 18.52% by six shareholders (which individually holds less than 10% interest in FSG Holding). Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Other than their shareholdings in FSG Holding, all the shareholders of FSG Holding are independent of Zhongfu and the Group Direct Individual Shareholders and the Group Indirect Individual Shareholders.

(2) The remaining 10% interest in Shanghai FSY Corporate Management Consultancy is held by Shanghai FSY Funeral Arrangement Services, an indirect wholly-owned subsidiary of our Company.

(3) The remaining 10% interest in Xiamen Huixiang is held by Xiamen City Funeral Services Centre*, an independent third party.

(4) The remaining 40% interest in Shanghai Nanyuan is held by Shanghai Lingang, an independent third party, and 20% by Shanghai Agricultural Industrial and Commercial Group East Ocean Company*, an independent third party.

(5) The remaining 40% interest in Hefei Dashushan Co is held by Hefei Shushan Lieshi Lingyuan Management Department*, an independent third party.

(6) The remaining 50% interest in Shandong FSY Development is held by Shandong World Trade Centre*, an independent third party.

(7) Nanchang Hongfu was established as a limited liability company under the laws of the PRC on November 17, 2009, and is principally engaged in the sale of funeral and coffin furnishings and burial plots. The remaining 40% interest in Nanchang Hongfu is held by Nanchang City Public Investment Holdings Co., Ltd.*, an independent third party, and 9.11% by Burial Management Department, an independent third party.

(8) Ningbo Yongyi was established as a limited liability company under the laws of the PRC on January 9, 2013, and is principally engaged in the provision of funeral services. The remaining 20% interest in Ningbo Yongyi is held as to 10% by Zhang Cheng, an employee of our Group, and 10% by Li Xingyu, an independent third party.

(9) Chongqing Anle Funeral Services was established as a limited liability company under the laws of the PRC on January 23, 2003 and is principally engaged in the provision of funeral services.

(10) Zhengzhou Longhu was established as a limited liability company under the laws of the PRC on October 27, 2005, it was wholly-owned by Henan FSY Industrial, and was principally engaged in the planting and sale of flowers and nursery stock. It was liquidated and deregistered on September 13, 2013.

(11) Shanghai FSY Funeral Arrangement Services was established as a limited liability company under the laws of the PRC on May 17, 2011, and is principally engaged in the provision of funeral services.

(12) Shanghai Senfu was established as a limited liability company under the laws of the PRC on July 2, 2013, and is principally engaged in vegetable and fruit planting. The remaining 49% interest in Shanghai Senfu is held as to 37.5% by Zhu Linbiao (朱林標), 6.25% by Xu Jian (徐見) and 5.25% by Chen Pangfei (陳鵬飛), all of whom are independent third parties.

(13) Shanghai Zhongdefu was established as a limited liability company under the laws of the PRC on March 21, 2013, and is principally engaged in sales and after-sales services of cremation devices.

OVERVIEW

We were the largest provider of death care services in the PRC in terms of revenue and geographical coverage in the years ended December 31, 2010, 2011 and 2012, according to Euromonitor. We were one of the first private company entrants into the PRC death care services industry when we began operating a cemetery in Shanghai in 1994. Through almost 20 years of growth in our operations and enhancement of the quality of our services, we have expanded our operations to provide premium death care services in major cities in eight provinces of the PRC. We believe that we have become a leader in the death care services industry and that our emphasis on the quality of our death care services has made us a benchmark of the industry that others seek to emulate. This is exemplified by our cooperation with certain PRC governmental entities to be the provider of training to other industry participants.

Our cemeteries are beautifully designed by professional landscape architects to be in harmony with natural surroundings and to reflect Chinese culture. Our cemeteries resemble parks and include lawns, ponds and groves of trees, providing a relaxing and tranquil environment for customers to pay their respects to friends or family members who have passed away. As part of the overall landscape, our cemeteries also feature ancient Chinese architectural-styled facilities, such as pagodas and pavilions. We extend and increase the number of burial plots in our cemeteries in phases based on customer demand to ensure that the landscaping of our cemeteries continues to be in harmony with natural surroundings and our cemeteries continuously appear as lush and well-planned parks.

Our burial services include a range of customization options, such as selecting the particular landscape for the burial plot and the style of the memorial to be used. The memorials we sell are designed and produced in-house by our professional designers and sculptors and are fully customizable, with options ranging from traditional memorials to customized life-sized sculptures. Additionally, we offer customers a range of burial services which we provide according to our customers' personal and religious requirements. For customers who choose for their family members not to be buried in a burial plot, cremains are stored in our cremation niches in the columbariums located in our cemeteries. We believe that the combination of our beautifully landscaped cemeteries and our personalized and customized burial services has allowed us to demand a price premium for our burial services.

We offer a complete range of funeral services at our funeral facilities, from the initial planning of the funeral arrangements and interment, to the organization and hosting of the funeral, including the transportation of the deceased to the funeral facility, cosmetological services, keeping of vigils, performance of religious rituals and ceremonies, catering, and post-funeral services, such as consultation services with respect to cremation and burial. In addition to the set of funeral packages which we offer, our customers are able to personalize the funeral arrangements through the value-added services we offer, such as video presentations on the life of the deceased, customized wreaths and flower arrangements and specially-prepared decorations for display at the funeral. All of our operating staff have received specialized training in providing funeral services and are also trained to be attentive to the needs of our customers in the process of planning and providing funeral services. We believe that our expertise in providing funeral services, gained from almost 20 years of experience in the industry, our specially trained operating staff, and our customized funeral services have allowed us to provide a comforting funeral atmosphere and experience for our customers, resulting in higher customer satisfaction and differentiating us from other funeral services providers.

Our cemeteries and funeral facilities are strategically located in eight major cities in the PRC and we draw customers, not only from those cities, but also from surrounding areas. We own and operate two cemeteries in Shanghai and one cemetery in each of Hefei in Anhui Province, Zhengzhou in Henan Province, Jinan in Shandong Province and Jinzhou in Liaoning Province. We operate two funeral facilities in Chongqing and one funeral facility in each of Shanghai, Hefei, and Xiamen in Fujian Province. We have established a company in Ningbo and are in the process of procuring a suitable site to establish a funeral facility in that locality.

We believe our brand, Fu Shou Yuan, is a leading death care services brand in the PRC and enjoys a strong level of brand recognition among consumers and members of the industry. We were named as a Top Ten Most Investment-Worthy Brand in Asia by the Global Times, the China Economic Herald and the Asia Brand Association in 2013. We believe our brand has become synonymous with the highest quality of service in the death care services industry in the PRC, representing beautifully landscaped and professionally run cemeteries and first class funeral services. Many high profile and distinguished individuals in the PRC, including academics, artists and other public figures, are buried in our cemeteries. Further, we were also the first company from the PRC to be admitted as a member of the International Cemetery and Funeral Association and the first non-governmental entity to hold a directorial position in the China Funeral Association, which we believe reflects our strong standing in the PRC death care services industry both in the PRC and internationally.

The PRC death care services industry is one of the fastest growing death care services industries in the world. According to Euromonitor, the number of deaths in the PRC has been constantly increasing, from 9.4 million deaths in 2008 to 9.7 million deaths in 2012, resulting in greater demand for death care services. As Chinese values and culture place a strong emphasis on honoring and showing respect to one’s deceased family members and remembering their contributions to society, death care services have been an essential component of Chinese tradition and culture. Driven by such cultural demands, the Chinese generally spend a higher proportion of their income on death care services. In tandem with the rising number of deaths and strong economic development in the PRC, spending on high quality death care services in the PRC has experienced rapid growth in recent years. According to Euromonitor, average spending per cremation on death care services in the PRC increased from RMB6,265 in 2008 to RMB10,079 in 2012.

We intend to extend the provision of our death care services to other locations in the PRC, where we believe demographics such as population density, age and mortality rates and average household income and local funeral and burial traditions, are suited to our business model. We also aim to provide both burial and funeral services in each of the locations where we currently conduct our business operations by acquiring or establishing funeral facilities or cemeteries, or collaborating with funeral parlor or cemetery operators.

We experienced significant growth during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our revenue was RMB350.5 million, RMB421.4 million, RMB480.0 million and RMB306.7 million, respectively. For the same periods, we had net profit of RMB113.7 million, RMB141.6 million, RMB138.2 million and RMB118.1 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed and will continue to contribute to our success in the death care services industry:

Leader in the death care services industry in the PRC

We were the largest provider of death care services in the PRC in terms of revenue and geographic coverage in 2010, 2011 and 2012, according to Euromonitor. We were one of the first private company entrants into the PRC death care services industry when we began operating a cemetery in Shanghai in 1994. We focus on the provision of premium death care services and, through almost 20 years of growth in our operations and enhancement of the quality of our services, have expanded our operations to provide our services in major cities across eight provinces in the PRC.

We are a leading provider of premium funeral and/or burial services in the majority of the cities in which we operate, in terms of revenue. As at December 31, 2012, we were the largest burial services provider in Shanghai, Hefei, Jinzhou, Zhengzhou and Jinan, in terms of revenue. We were also the largest funeral services providers in Chongqing and Hefei, in terms of revenue.

We believe that we were among the first PRC companies to incorporate contemporary methods of cemetery and funeral services development and management from overseas countries, such as designing and landscaping cemeteries and offering customized memorial products and funeral services, and to apply such methods in the context of traditional Chinese funeral and burial requirements. Our customized death care services incorporate the use of modern technology and practices and reflect contemporary expressions of traditional Chinese funeral and burial rituals. For example, we offer modern memorials, such as tombstones embedded with a data storage and LCD touch screens which display images of the deceased. We believe that we were also among the first PRC death care services providers to offer sculptures as a form of memorial and to establish museums on cemetery premises as a means of commemorating the deceased and honoring and remembering their contributions to society. We were the first PRC company to be admitted as a member of the International Cemetery and Funeral Association, the Australian Funeral Directors Association and the National Funeral Directors Association in the United States, and Mr. Wang Jisheng, our general manager and one of our executive Directors, is a deputy director of the China Funeral Association and head of its cemetery committee.

We lead the death care services industry in the PRC by setting benchmarks for the industry's best practices and standards for death care services. Mr. Ge Qiansong, our senior deputy general manager responsible for sales and marketing, is currently the head of the Technology and Cultural Committee of the China Funeral Association, an organization established by the MCA to engage in and oversee funeral affairs in the PRC, and we cooperate with relevant PRC governmental entities to provide China Funeral Association sanctioned training on death care services to local and international industry participants and organize and host seminars for them. Such activities have also allowed us to gain more visibility among the various participants in the industry.

We believe that our brand, Fu Shou Yuan, is a leading death care services brand in the PRC and enjoys a strong level of brand recognition among consumers and members of the industry. We were named as a Top Ten Most Investment-Worthy Brand in Asia by the Global Times, the Chinese Economic Herald and the Asia Brand Association in 2013. We believe our brand has become synonymous with the highest quality of service in the death care services industry in the PRC, representing beautifully landscaped and professionally run cemeteries and first class funeral services.

We believe that our well-known brand and our efforts in setting benchmarks for the industry's best practices and standards differentiate our services from our competitors and give us a competitive advantage in the fragmented death care services industry in the PRC, which is largely made up of small and mostly less well-known death care services providers. We believe that our competitive advantages have positioned us as a leader in this industry and have allowed us to increase our market penetration, market share and overall revenue.

Successful consolidator in a rapidly growing industry in the PRC

We have been successful in acquiring and turning less profitable or loss-making death care services providers into viable and profit-making companies within our Group. For example, after we acquired An Le Tang (安樂堂), a loss-making funeral facility in Chongqing in 2002, and revamped its premises and operations by, among others, renovating the premises and introducing professionally trained staff and personalized and customized funeral services, this funeral facility has become profitable. Another example is a loss-making cemetery in Henan that we acquired in 2008, which we renamed Henan Fu Shou Yuan (河南福壽園). After improving the layout and landscaping of the cemetery and applying our management expertise, this cemetery became profitable and, as at December 31, 2012, was the largest cemetery in Zhengzhou in terms of revenue.

The PRC death care services industry is the largest and one of the fastest growing in the world. According to Euromonitor, the number of deaths in the PRC has been steadily increasing, with the mortality rate in the PRC increasing from 7.1‰ in 2008 to 7.2‰ in 2012, mainly due to the growing and aging population, resulting in greater demand for death care services. At the same time, the PRC industry for contemporary death care services benefits from a large unexploited market as the majority of the PRC population currently employs traditional Chinese funeral and burial practices that are commonplace in rural farming regions of the PRC. Further, intensive urbanization in the PRC has resulted in an increasing shift away from traditional Chinese funeral and burial practices, towards the use of modernized death care services. In addition, we believe that the economic development in the PRC over the recent years, the concomitant increase in disposable income of the Chinese population, and the emphasis in Chinese culture on honoring and showing respect to one's family members has contributed to an increase in demand for high quality death care services in the PRC. According to Euromonitor, average spending per cremation on death care services in the PRC increased from RMB6,265 in 2008 to RMB10,079 in 2012.

We believe that the fragmented death care services industry in the PRC, which is largely made up of small and mostly less well-known death care services providers, provides growth and market consolidation opportunities for us. We intend to continuously seek acquisition targets and believe that our leading brand, our ability to satisfy customers' needs through provision of professional and personalized services, our dedicated and experienced management team, and our proven track record of successfully acquiring and managing companies places us in a competitive position to strategically acquire smaller death care services providers in the rapidly growing death care services industry, to extend our leading position in the industry, enhance our market penetration and increase our market share and overall revenue.

Ability to satisfy our customers' needs through provision of professional and customized services

We keep abreast of market changes and consumer demand from our provision of personalized and customized death care services to our customers. All of our operating staff have received specialized and professional training in providing death care services and are also trained to be attentive to the needs of our customers in the process of planning and providing our death care services. They also attend regular meetings to discuss developments in the industry so as to improve our services and adapt to the changing needs of our customers. We offer our customers a range of burial services in our beautifully landscaped cemeteries, including artistic, customized, traditional, lawn and green burial services, which allow for varying degrees of customization. Through our customized burial services, customers are able to fully personalize their burial plots, such as by selecting the landscaping and the style of memorials to be used. The memorials are designed and produced in-house by our professional designers and sculptors and are fully customizable, with options ranging from uniquely-designed tombstones to customized life-sized sculptures. We also provide space-saving and environmentally friendly green burial services to cater to environmentally-focused customers. Customers can also choose from a range of burial rituals which we provide according to their personal and religious requirements.

Our cemeteries also feature themed areas, each with distinctive landscaping and decorative features, to cater to the needs of our various groups of customers. For example, we have a themed burial area for children and adolescents with decorative features such as statues of cartoon characters and landscaping of scenes from popular children's television programs to evoke the setting of a children's playground. We also have themed burial areas for war veterans to honor their military service. These burial areas feature military themed monuments and memorials and provide a dignified setting and location for veterans to be buried. Such burial areas also allow fellow veterans to be buried in close proximity to each other.

We provide an extensive range of funeral services in different styles and religious rituals as requested by customers. We allow our customers to personalize the funeral services they receive by selecting value-added services in addition to the set funeral services packages which we offer. We believe that our expertise in providing funeral services, gained from almost 20 years of experience in the industry, our specially trained operating staff, and our personalized and customized funeral services, such as video presentations featuring and celebrating the life stories of the deceased, have allowed us to provide a more comforting and less sorrowful funeral atmosphere and experience for our customers, resulting in higher customer satisfaction and differentiating us from other funeral services providers.

Our customers are willing to pay a price premium for our professional and personalized funeral services than for those of our competitors, allowing us to enjoy higher net profit margins. Our net profit for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB113.7 million, RMB141.6 million, RMB138.2 million and RMB118.1 million, respectively, representing a net profit margin of approximately 32.4%, 33.6%, 28.8% and 38.5%, respectively, during the same periods.

Presence in strategic locations within certain major cities in the PRC

Our cemeteries and funeral facilities are located in eight major cities in the PRC. For our burial services, we operate two cemeteries in Shanghai and one cemetery in each of Hefei, Zhengzhou, Jinan and Jinzhou. For our funeral services, we operate two funeral facilities in Chongqing and one funeral facility in each of Shanghai, Hefei and Xiamen. We have established a company in Ningbo and are in the process of procuring a suitable site to establish a funeral facility in that locality.

We strategically select the locations in which we provide our services based on, among other considerations, population demographics, such as population density, age, mortality rates and average household income, local funeral and burial traditions, the competitive landscape and the stage of development of the death care services industry in the particular locality. For our cemeteries, we focus on locations with beautiful natural surroundings with mountains and rivers that have been carefully selected based on the principles of the traditional Chinese discipline of Fengshui, which is an important consideration for many of our customers. For our funeral facilities, we focus on city centers with high population densities. All of our cemeteries and funeral facilities are well connected to transportation networks and are easily accessible. We enjoy a competitive advantage over our competitors as first movers in many of the localities in which we operate, as the market in most localities cannot support more than a few cemeteries and funeral facilities and local governments have since placed limitations on the number of death care services providers that are permitted to operate in the particular locality.

We maintain a network of customer service centers in the areas in which we have operations that serve as customer contact points and allow us to maintain a presence among prospective customers and to respond to their needs and demands promptly. Our sales staff conduct marketing activities in these locations and in the surrounding areas, such as organizing and conducting site visits to our cemeteries during Chinese cultural festivals, enabling us to establish a foundation for ongoing business opportunities with members of these communities, as families tend to return to the same cemetery for multiple generations, enhance our market penetration and increase our market share and overall revenue.

Commitment to social responsibility and preservation of Chinese values and culture

It has been a long established and important tradition in the PRC to honor and show respect for the deceased. Death care services have been an essential component of Chinese tradition and culture. As the final step of the deceased's life, they allow friends and family to pay tribute to and commemorate the life of the deceased. We are guided by Chinese cultural values of filial piety, devotion to family and honoring and showing respect for one's ancestors, in designing and providing our death care services. Our death care services can be tailored to conform to the wishes the deceased may have had or to the preferences of the family of the deceased, and we also offer a full range of funeral and burial rituals and ceremonies to cater to the needs of customers when paying tribute and final respects to deceased. In addition, we have established a World War II memorial and a museum in our cemetery in Shanghai, which commemorates soldiers who sacrificed their lives in defense of the country and features the life stories of certain famous persons buried in the cemetery. This forms part of our effort to preserve Chinese values and culture by honoring the contributions to society from these individuals and ensuring that their achievements are remembered by and passed down to future generations. Our museum is frequently visited by school groups.

We also have a strong commitment to social responsibility and seek not only to provide the highest quality of death care services to our customers, but also to assist people who have passed away in the service of society or who have made other contributions to society and whose family cannot afford death care services. For example, we offer free or discounted burial services to certain public servants, such as certain police officers and certain soldiers who passed away in the line of duty, the needy, such as certain low income families and cancer patients who have spent all their money on cancer treatment before passing away, and other people who have contributed to society, such as people who have donated their bodies for medical and scientific research. We are also aware of our social responsibility to protect and conserve the environment and provide environmentally friendly and space saving burial services, such as green burial services, where cremains are buried under trees and flower beds.

We believe that our commitment to the preservation of Chinese values and culture and social responsibility have contributed to the popularity and strength of our brand and our leading position in the industry.

Dedicated, experienced and stable management team

We benefit from a stable and experienced senior management team. The members of our senior management team have an average of nearly 20 years of experience in the death care services industry and each of them has been with our Group for more than 15 years. In particular, Wang Jisheng, our general manager and one of our executive Directors, has 17 years of industry experience and is a deputy director of the China Funeral Association and the head of its Cemetery Committee. Wang Jisheng's experience in the industry has been recognized by PRC governmental entities responsible for overseeing the PRC death care services industry. He has played a role in setting the industry's best practices and standards and has conducted training sessions for over 14 years and has taught many industry participants, including both PRC and international participants. In addition, Ge Qiansong, our senior deputy general manager responsible for sales and marketing, has nearly 40 years of industry experience. He was a deputy head of the Technology and Cultural Committee of China Funeral Association between 1995 and 2012 and has been the head of the committee since 2012.

All members of our senior management team have received specialized and professional training in death care services. Our senior management team enjoys strong links with overseas counterparts, which has allowed the exchange of knowledge and ideas on death care services between us and overseas death care services providers, giving us insight into international trends and advances in the industry.

Further, we also benefit from having a diverse management team, composed of senior members who have many years of experience in the death care services industry and other members who have relevant overseas work experience and/or education, offering different experience and perspectives in managing our business operations and expansion. Our management team shares a common vision to grow our Company and enjoys a proven track record of achieving growth for our Company.

We believe that the proven record and deep understanding of the death care services industry in the PRC of our management team will enable us to capture market opportunities and develop and execute our strategies for further growth.

OUR STRATEGIES

We aim to strengthen our leading position in the death care services industry in the PRC through the following strategies:

Continue to be a role model in the death care services industry by setting industry best practices and reinforcing Chinese tradition and cultural awareness through our services

The PRC death care services industry is relatively under-developed compared to the death care services industries in countries like the United States, the United Kingdom and Australia, and contemporary death care services in the PRC have not been commercialized and adopted by the population to the extent seen in these overseas countries. We aim to continue to be a role model in the death care services industry by improving current industry practices and advancing the PRC death care services industry. We intend to leverage the strong links our senior management team enjoys with overseas counterparts in the death care services industry and continue to exchange knowledge with them to develop and introduce new and improved death care services to the PRC. We also seek to continuously improve our business operations by training our employees to be more proficient in their ability to serve our customers' needs and increasing the range and quality of our death care services.

In line with being a role model in the industry, we aim to lead the industry in best practices and standards and continue to set new benchmarks for the industry. We intend to do so through continuing our cooperation with relevant PRC governmental entities to provide China Funeral Association sanctioned training on death care services to a greater number of participants in the industry and organizing and hosting seminars for industry participants to share their industry experience and discuss ways in which practices in the industry can be improved.

While pioneering the improvement of the practices and standards of the death care services industry, we also intend to reinforce Chinese tradition and cultural awareness through our services by establishing more museums and/or educational features in our cemeteries to educate the public, in particular the young, of the importance of preserving Chinese values and the culture of honoring and showing respect to one's ancestors and remembering their contributions to society.

We believe that our efforts to continue to be a role model in the industry and preserve Chinese tradition will not only enable us to expand the range of our services and further develop our technical capabilities but also allow us to maintain our position as a leader in the PRC death care services industry.

Increase our market share by extending the provision of death care services to other locations in the PRC

We aim to offer both funeral and burial services at locations in which we currently operate. To expand our services and increase our market share in and revenue from these localities, we intend to acquire, establish or collaborate with funeral service providers in Jinzhou, where we currently only provide burial services, and cemeteries in Chongqing and Xiamen where we currently only provide funeral services.

We also intend to increase our market share and overall revenue by extending the provision of our death care services to other locations in the PRC where there is demand for premium death care services by leveraging our leading brand and extensive operational experience gained from operating our current business operations. We intend to expand our business operations and to provide both death care services at locations in major cities of other provinces, through acquiring, establishing or collaborating with cemeteries and funeral parlors and/or facilities, where population demographics, such as population density, population age and mortality rates and average household income, and local funeral and burial rituals, would suit our business profile and allow us to have access to more customers.

As part of our efforts to increase our market share in the PRC, we also intend to increase the number of our customer service centers. We believe that having customer service centers located in city centers with high population densities is an important means of establishing a presence in a locality and building relationships with families in the local communities, particularly for our cemeteries, which are located at the border of city centers where population density is lower.

Expand our range of service offerings to cater to evolving market demand

We aim to keep abreast with market changes and consumer demands through continuous expansion of our range of service offerings. We seek to cater to evolving customer demand through our management and operating staff, who gather and exchange experiences and views with regard to our business and operations so as to understand and adapt our death care services to the growing and changing needs of our customers with the ultimate goal of improving the customer experience.

Although PRC law currently only allows the provision of "pre-need" death care services, which are death care services provided to living persons in preparation for the future, to customers who fulfill certain conditions, depending on locality, such as (i) being of a minimum prescribed age, depending on locality; (ii) being terminally ill; or (iii) requiring "pre-need" death care services to be buried next to a deceased spouse, we are currently in discussions with relevant governmental entities and insurance companies with respect to the feasibility of providing pre-need death care services to customers who do not meet any of the required conditions. As a leader in the PRC death care services industry, in the event there is a change in government policy to permit the provision of such services, we aim to be the first funeral and service provider in the PRC to tap this new market and provide this range of service offerings. We believe we have gained an understanding of pre-need death care services through our knowledge exchange with our overseas counterparts, most of which have been providing pre-need death care services for many years.

We intend to expand our range of burial services by, among others, increasing the variety of our green burial services and introducing post-burial services, such as online services to allow for the convenient purchase of flowers and offerings for festivals or days when people remember and honor their deceased friends and family. We also intend to expand our range of funeral services and the degree to which they can be customized. We also seek to offer more in-house value-added services, such as videography services, provision of high-end refreshments and webcasting of funerals, that can be added to these packages to achieve higher revenue per funeral and improved customer satisfaction through the provision of a more comprehensive and personalized service experience. We aim to train our employees to be more proficient in their ability to offer a broad range of funeral service options, stressing our ability to design a personalized service that reflects the special needs of our customers.

As the cremation technology employed by PRC Government operated crematoriums is becoming obsolete in light of an increasing focus on environmental protection, we plan to capitalize on the rising demand for environmentally friendly cremation machines by manufacturing and supplying advanced and environmentally-friendly cremation machines to these crematoriums.

Leverage our "Fu Shou Yuan" brand and leading market position and further expand through acquisition, collaboration and joint ventures

We aim to offer both burial and funeral services in each of the locations in which we currently operate and to expand into other locations in the PRC. We intend to actively expand through selective acquisitions, collaborations and joint ventures so as to gain access to new markets, expand the range of our services and further develop our technical capabilities.

In the near term, our acquisitions, collaborations and joint ventures will focus on privately or PRC Government owned funeral and/or burial services providers operating in target locations in major cities of other provinces, where, we believe, population demographics, such as population density, age and mortality rates and average household income, and local funeral and burial traditions, suit our business model. We intend to be selective with our acquisition targets and collaboration and joint venture partners by having regard to, among others, their reputation in the industry, the scale of their operations, the quality of their services and their operational track record.

We believe that this strategy will enable us to extend our leading position in the death care services industry in the PRC and to provide our services to a greater number of customers, expand our coverage and increase our market share and overall revenue. As of the Latest Practicable Date, we had not identified any target for acquisition or partners with which we plan to collaborate and/or form a joint venture.

OUR SERVICES

We were the largest provider of death care services in the PRC in terms of revenue and geographic coverage in 2010, 2011 and 2012, according to Euromonitor. The death care services industry in the PRC mainly comprises the funeral, cremation and burial services industries, where cremation services are currently only permitted to be provided by government-operated crematoriums. We focus on the provision of premium death care services and were one of the first private company entrants into the PRC death care services industry when we began operating a cemetery in Shanghai in 1994. Through almost 20 years of growth in our operations and enhancement of the quality of our services, we have expanded our operations to provide premium death care services in major cities of eight provinces in the PRC.

The following diagram is a summary of the three main services provided in the death care services industry and illustrates the steps in which these services are provided:

1. Funeral Services

- We offer customized funeral services, which include:
  (i) initial planning for the arrangement of funeral and interment;
  (ii) organization and hosting of the funeral; and
  (iii) post-funeral services.
- Our funeral services are provided in predetermined funeral services packages, which our customers can personalize by including other value-added services we provide. See "— Our Funeral Services."

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2. Cremation Services

- Cremation services are currently only permitted to be provided by government-operated crematoriums.
- We assist customers in liaising with crematoriums and offer them storage of the cremains of the deceased in our columbariums and pavilions.

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3. Burial Services

- We offer customized burial services in our cemeteries, which include:
  (i) the right to use the burial plots;
  (ii) tombstones, grave markers and other memorials to be used on the burial plots;
  (iii) design and landscaping of the burial plot;
  (iv) organization and conduct of burial rituals; and
  (v) on-going maintenance services.

  See "— Our Burial Services."
- We also offer after-burial services, such as the organization of memorial activities and the sale of ancillary products, such as flowers and other offerings, to our customers.

Services provided by our Group (shaded)

Our cemeteries and funeral facilities are located in strategic locations in the major cities of eight provinces in the PRC and we draw customers not only from those cities, but also from surrounding areas. For our burial services, we operate two cemeteries in Shanghai and one cemetery in each of Hefei, Zhengzhou, Jinan and Jinzhou. For our funeral services, we operate two funeral facilities in Chongqing and one funeral facility in each of Shanghai, Hefei and Xiamen.

The following map illustrates the location of our cemeteries and funeral facilities in the PRC as of the Latest Practicable Date:

(1) We have established a company in Ningbo and are in the process of procuring a suitable site to establish a funeral facility in that locality.

We provide a wide range of burial services at our cemeteries. Each of these services allows for varying degrees of customization and encompasses all aspects of the burial, from the planning stages, where customers have discussions with our customer service representatives to select a burial service that best suits their needs and to decide on the various aspects that require customization, to the organization and implementation of the burial, where the cremains are transported from the crematorium to our cemetery and buried or stored in our cremation niches. See "— Our Burial Services".

Our funeral services encompass all aspects of a funeral, from the initial planning of the funeral arrangements and interment to the organization and hosting of the funeral, and include transportation of the deceased to our funeral facility, cosmetological services, keeping of vigils, performance of religious rituals and ceremonies, catering and post-funeral services, such as consultation services with respect to cremation and burial. Similar to our burial services, our funeral services allow for varying degrees of customization. See "— Our Funeral Services".

The following table shows our Group's revenue which was derived from burial and funeral services provided by our Group during the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Burial services.	302,679	86.4	367,555	87.2	418,860	87.3	199,392	85.8%	269,553	87.9%
Funeral services	47,791	13.6	53,865	12.8	61,117	12.7	33,092	14.2%	37,103	12.1%
Total	350,470	100.0	421,420	100.0	479,977	100.0	232,484	100.0%	306,656	100.0%

Our Burial Services

We operate two cemeteries in Shanghai and one cemetery in each of Hefei, Zhengzhou, Jinan and Jinzhou, and provide premium customized burial services at each of these locations. Two of our cemeteries, Shanghai Fu Shou Yuan and Jinzhou Maoshan Anling, each houses a columbarium. We have established a subsidiary in Nanchang in Jiangxi Province and are currently in the process of acquiring land to develop a cemetery. As of December 31, 2012, we were the largest burial services provider in each of Shanghai, Hefei, Jinzhou, Zhengzhou and Jinan, in terms of revenue.

We offer our customers a range of customized burial services in our cemeteries, which are categorized into customized, artistic, lawn, green, traditional and indoor burial services, and we generate revenue mainly from the sale of burial plots, which includes (i) the rights to use the burial plots; (ii) tombstones, gravemarkers and other memorials to be used on burial plots; and (iii) other services such as the organization and conducting of burial rituals, and the design and landscaping of the burial plots. The right to use the burial plots typically range for terms between 20 and 70 years, depending on the locality. For example, the term of use for a burial plot is typically 70 years in Shanghai and 50 years in Henan. Customers may renew their right to use the burial plots at the end of the sales contract by paying a renewal fee. We expect such a renewal fee to be determined based on, among other things, the prevailing market rates and the costs to be incurred by us at that time. Customers may also retrieve the cremains at the end of the contract. If customers fail to renew the contract and retrieve the cremains, we have the right to deal with the cremains in our absolute discretion. None of our sales contracts have expired as of the Latest Practicable Date.

In addition, we also generate revenue from our cemetery maintenance services, which include ongoing fees for maintaining burial plots and management fees for our cemeteries. We also generate revenue from the sale of other burial-related products and services, such as design services, tombstone engraving, sculptures and flowers.

The following diagram illustrates the major steps involved in the provision of our burial services:

1. Consultation on burial arrangements

- We provide consultations with customers, where we introduce our range of burial services. We seek to understand each customer's requirements before recommending certain services to them and suggesting ways in which these services can be tailored to further suit their needs.
- We provide customers with guided on-site visits to familiarize them with our cemeteries and various styles of burial plots available.

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2. Selection of burial services and signing of contract

- Customers select a particular burial service by signing a sales contract and paying a deposit.

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3. Selection and design of burial plot and memorial

- We continue to assist customers in tailoring their chosen burial service to suit their specific needs.
- Depending on the chosen burial service, our professional landscape architects may also assist customers in designing the landscape of the burial plots.
- We assist our customers in selecting a memorial from our extensive range of memorials.
- The memorials are designed and manufactured in-house by our professional designers and sculptors and, depending on the chosen burial service, may be fully customized, with options ranging from uniquely designed tombstones to personalized life-sized sculptures.

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4. Construction of memorial and landscaping of burial plot

- We commence work upon receipt of customer confirmation.
- Customers pay remaining balance on the deposit.

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5. Receipt of burial plot and memorial

- Customers inspect the finished burial plot with the installed memorial before confirming receipt of the burial plot.

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6. Selection of burial date, rituals and ceremonies and related services

- Customers select burial dates.
- We offer a variety of burial rites, including Buddhist and other religious rituals.
- We offer other related services such as the provision of flowers and offerings.

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7. Performance of burial rituals and ceremonies

- We assist in the logistics of the burial and the performance of burial rituals and ceremonies.
- We generally engage third party contractors to help with the physical burial works.

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8. Provision of after-burial services

- We provide on-going maintenance services of the burial plots and conduct periodic checks on the memorials and perform repairs of the memorials when required.
- We offer certain after-burial services, such as the organization of memorial activities and the sale of flowers and offerings, to our customers. We remain in contact with our customers and update them regarding our memorial activities from time to time.

Burial Services Terms

Under our sales contracts for burial services, all burial plots and cremation niches purchased by our customers are non-transferrable. Depending on local laws and regulations on the length of use of burial plots and cremation niches in the respective localities in which we operate, as of the Latest Practicable Date, our customers have the right to use the burial plots and cremation niches for a prescribed term stipulated in the sales contract, which typically ranges between 20 to 70 years, depending on the locality.

The sales contracts for our burial services involve only the safekeeping of cremains and do not involve the sale of a land use right. When we sell and assign the right to use burial plots or cremation niches in our cemeteries, we are providing a type of custody service and we undertake to our customers to safekeep the deceased's cremains for an agreed period of time, which does not contravene any PRC laws or regulations. Upon signing of the sale contract by the customers, they have the right to use the burial plot. The term of providing a custody service over cremains is independent of the term of our land use right for relevant cemetery and we are able to legally provide such services for a term of any number of years, including a term that would exceed the duration of the land use right of the respective cemetery. Our PRC legal advisors, Watson & Band Law Offices, have advised us that the sale of custody services with sales terms that are longer than the duration of the current land use rights of the cemeteries is not in violation of any applicable PRC laws or regulations. We have also received confirmation letters from the local Civil Affairs Bureaus of the localities in which our cemeteries are located, confirming that our cemeteries have complied with and have no activities that violate any applicable laws and regulations regarding the burial services industry.

Although some of the rights to use our burial plots that have been sold to customers may be longer than the land use rights to certain cemeteries we currently have, we have the right to apply for an extension for such land use rights one year before such rights expire. The sales contracts for our burial services entail a safekeeping obligation on our part for cremains. The sales contracts do not involve sale of land use rights. The terms of sales in some sales contracts could be longer than the period of land use rights granted for the land. Our PRC legal advisors have advised us that: (i) the omission of such information does not constitute a breach of contract or fraud; (ii) the sales contracts with these affected customers remain valid and binding; and (iii) there is no legal basis for the affected customers to dispute the validity of these sales contracts on the basis that they were not advised of the terms of sales in the sales contracts could be longer than the period of land use rights granted for the relevant land. Our PRC legal advisors have also advised us that the possibility of the local governments not extending our land use rights over our cemeteries is remote and that, in the unlikely event that the local governments do not extend our land use rights, which may result in us breaching our obligations under the sales contract, we may need to compensate the affected customers based on the actual losses incurred for not being able to use such burial plots for the remaining term of the sales contracts, including the actual losses incurred by such customers in connection with the relocation of the relevant cremains. As of the Latest Practicable Date, such burial plots accounted for approximately 19% in value of all the burial plots sold.

Our customers are generally required to pay a deposit at the time they enter into the sales contract with us and the balance of the service fee before we commence work. The deposit is refundable so long as we have not commenced work. Save for an administrative fee that we retain, which amounts to approximately 5% to 20% of the total service fee, and any cost incurred for work that has been performed, we normally refund the total service fee (including the deposit) to our customers if, after paying for our services in full, they decide not to utilize our services, provided that the cremains have not been buried or placed in our cremation niches.

Our customers are required to pay in advance maintenance fees relating to the maintenance of their cremation niches or burial plots and memorials over a prescribed fixed period, and such amounts are generally paid together with the purchase of our burial services. Our customers may renew their right to use the burial plots at the end of such periods by paying a renewal fee. We have the right to deal with the cremains at our absolute discretion if our customers fail to renew the maintenance services after the conclusion of the fixed period. Although we do not currently have any contracts that are due to expire in the near term, it is our intention to notify the next of kin of the deceased to retrieve the cremains upon the expiry of the sales contract and to allow them to enter into a new sales contract over the same burial plot if they choose to.

While we have not recycled the use of any burial plots, we intend to recycle burial plots that become available for use and to disclose the history of such burial plots to prospective buyers.

The table below sets forth a breakdown of our revenue from burial services, including revenue from the sale of burial plots by type and revenue from cemetery maintenance services, during the Track Record Period.

	Year ended December 31,												Six months ended June 30,							
	2010				2011				2012				2012				2013			
	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services
		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000) (unaudited)	(%)		(RMB/ per unit)	(RMB'000)	(%)
Burial Services																				
Sale of burial plots																				
Customized.	513	171,979	88,225	29.1%	561	230,307	129,202	35.2%	544	259,770	141,315	33.7%	256	250,242	64,062	32.1%	313	249,051	77,953	28.9%
Artistic . .	1,412	63,946	90,292	29.8%	1,871	51,136	95,675	26.0%	1,228	89,602	110,031	26.3%	719	82,955	59,645	29.9%	1,134	76,315	86,541	32.1%
Traditional .	501	101,353	50,778	16.8%	653	93,482	61,044	16.6%	1,749	49,138	85,943	20.5%	537	61,778	33,175	16.6%	1,143	42,349	48,405	18.0%
Lawn . . .	1,107	29,312	32,448	10.7%	607	59,708	36,243	9.9%	731	48,873	35,726	8.5%	464	44,097	20,461	10.3%	359	57,769	20,739	7.7%
Green . . .	258	13,667	3,526	1.2%	273	10,103	2,758	0.8%	348	8,977	3,124	0.7%	213	7,700	1,640	0.8%	280	11,257	3,152	1.2%
Indoor . . .	250	15,436	3,859	1.3%	277	16,285	4,511	1.2%	189	25,175	4,758	1.1%	88	28,091	2,472	1.2%	230	22,665	5,213	1.9%
Other burial-related services	—	—	28,563	9.5%	—	—	31,601	8.5%	—	—	30,085	7.3%	—	—	13,681	7.0%	—	—	21,752	8.0%
	4,041		297,691	98.4%	4,242		361,034	98.2%	4,789		410,982	98.1%	2,277		195,136	97.9%	3,459		263,755	97.8%
Cemetery maintenance services . .	—	—	4,988	1.6%	—	—	6,521	1.8%	—	—	7,878	1.9%	—	—	4,256	2.1%	—	—	5,798	2.2%
Total	**4,041**	**—**	**302,679**	**100.0%**	**4,242**	**—**	**367,555**	**100.0%**	**4,789**	**—**	**418,860**	**100.0%**	**2,277**	**—**	**199,392**	**100.0%**	**3,459**	**—**	**269,553**	**100.0%**

The table below sets forth the average selling prices of burial plots of our respective cemeteries for the periods indicated.

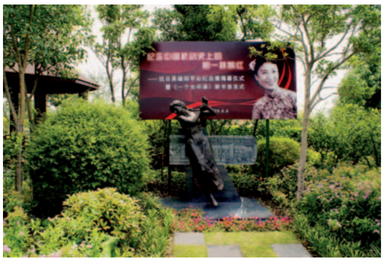
Cemetery	Average Selling Price (RMB)			
	For the years ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013
Shanghai Fu Shou Yuan	98,988	129,972	150,615	138,594
Haigang Fu Shou Yuan	—(1)	—(1)	—(1)	54,506
Henan Fu Shou Yuan	17,388	16,305	30,126	36,401
Hefei Dashushan Cultural Cemetery	56,031	77,755	76,052	78,240
Shandong Fu Shou Yuan	—(2)	64,068	63,519	58,944
Jinzhou Maoshan Anling	—(3)	—(3)	25,486	27,954

(1) Haigang Fu Shou Yuan was only consolidated into the Group beginning in 2013.

(2) Shandong Fu Shou Yuan was only consolidated into the Group beginning in 2011.

(3) Jinzhou Maoshan Anling was only consolidated into the Group beginning in 2012.

Our Range of Burial Services

Type of Burial Service	Service Description
Customized Burial Services  	Customized burial services allow for our customers to fully personalize and customize their burial plots. Our customers are able to decide on, among others, the location, size, and design and layout of the burial plot, and the types and styles of memorials and decorative items to be used, which range from uniquely designed tombstones to customized life-sized sculptures. Our in-house professional designers and landscape architects design and landscape the burial plots to customers' specific requirements.

Type of Burial Service	Service Description
Artistic Burial Services  	Artistic burial services allow for our customers to choose from an extensive range of pre-designed and pre-fabricated memorials to be used on burial plots that are uniform in size and landscape. Our in-house professional designers and sculptors personalize and customize certain aspects of the memorials chosen by customers, such as making minor alterations to the structure of the memorial and adding photographs or inscriptions onto the memorial.
Lawn Burial Services  	Lawn burial services involve the burying of cremains in lawn burial plots situated on our well-kept lawns with a flower bed and/or gravemarker at the head. Our customers may choose the location of the lawn burial plot and may work with our in-house professional sculptors to add photographs and/or inscriptions onto the gravemarker. Lawn burial plots have a neat and uniform appearance and our lawns are lined by well-maintained shrubs and are surrounded by landscaped gardens.

Type of Burial Service	Service Description

Green Burial Services

Green burial services are an environmentally friendly and space saving means of burial, whereby cremains are buried under natural gravemarkers, such as fieldstones, trees and flower beds, or interred into low rising walls in our cemeteries. These natural gravemarkers or low rising walls harmoniously form part of the landscaping of our cemeteries. Such services have been designed to preserve the natural environment and to cater to the demands of our environmentally friendly customers.

Traditional Burial Services

Traditional burial services involve the burying of cremains in burial plots that are uniform in size and landscaping and the use of standardized pre-fabricated headstones. Traditional burial plots are located in predetermined zones within our cemeteries. Our customers may also work with our in-house professional sculptors to add photographs and/or inscriptions onto the headstone.

Type of Burial Service	Service Description
Indoor Burial Services  	Indoor burial services involve the storage of cremains in our columbariums at a number of our cemeteries. Our columbariums are beautifully designed and the cremation niches are separated into specially-themed halls, each with distinctive decorative features, to cater to the needs of various groups of customers. For example, there are themed halls for children and adolescents with decorative features such as brightly colored walls, children's furniture and pictures of cartoon characters to resemble a children's nursery. Our columbariums also feature the use of modern technology by providing large screen televisions in a number of halls, on which customers are able to view videos and/or photographs of the deceased when paying their respects.

Burial Rituals and Ceremonies

We perform burial rituals and ceremonies before cremains are buried in our burial plots, under our natural gravemarkers or interred into the walls in our cemeteries. Our customers are able to choose from a range of burial rituals and ceremonies to suit their personal and religious requirements. Most of the burial rituals and ceremonies are performed in-house by specially trained operating staff.

Cemetery Maintenance Services

We provide on-going cemetery maintenance services as part of our burial services to maintain our beautifully landscaped cemeteries and keep the memorials in good repair. We conduct daily checks on the cleanliness of our cemeteries and the general state of the landscaping, and periodic checks on the memorials in the cemeteries to ensure that they are in good repair.

Our customers are required to pay maintenance fees relating to such maintenance services in advance and such amounts are generally paid together with the purchase of our burial services. The amount of maintenance fees paid by each customer is generally for a 10 to 20 year period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we generated revenue from the provision of cemetery maintenance services in the amounts of RMB5.0 million, RMB6.5 million, RMB7.9 million and RMB5.8 million, respectively, accounting for 1.4%, 1.5%, 1.6% and 1.9%, respectively, of our total revenue for the same periods.

Our Funeral Services

We operate two funeral facilities in Chongqing and one funeral facility in each of Shanghai, Hefei and Xiamen. We have established a company in Ningbo and are in the process of procuring a suitable site to establish a funeral facility in that locality. Our funeral facilities generally feature a mortuary, a catering hall, guest rooms, a customer service center, funeral halls and incense-burning wells. All our funeral facilities are situated in city centers in cities with high population densities and are well-connected to transportation networks. As of December 31, 2012, we were the largest funeral services providers in Chongqing and Hefei in terms of revenue.

We commenced operations at our two funeral facilities in Chongqing and our funeral facility in Shanghai in May 2002, January 2003 and May 2011, respectively. We lease the land on which our funeral facility is built in Yuzhong, Chongqing, and lease the funeral facility in Sha Ping Ba, Chongqing. See "— Properties." Our funeral facility in Shanghai is located in Shanghai Fu Shou Yuan and we own both the funeral facility and the land on which it is located. In 2008, we entered into a cooperation agreement with a government-owned funeral parlor in Hefei with a term of ten years, allowing us to operate the funeral facilities in the funeral parlor in exchange for giving the government-owned funeral parlor 40% of the revenue we derive from the funeral facilities. We are entitled to 60% of the revenue and are obligated to bear all operational risks and taxation costs. In November 2012, we entered into a joint venture agreement with Xiamen City Funeral Services Centre, a government owned funeral parlor in Xiamen, with a term of 12 years, pursuant to which Xiamen Huaixiang was established with our Group having 90% ownership and Xiamen City Funeral Services Centre having 10% ownership. Pursuant to the contract, in exchange for Xiamen City Funeral Services Centre allowing Xiamen Huaixiang to use the funeral facilities in the funeral parlor to provide funeral services to the general public, Xiamen City Funeral Services Centre is entitled to 40% of net profit of Xiamen Huaixiang.

The following table sets out details of our funeral operations.

Location	Form of operation	Share of profit	Group's share of operating costs	Details of (i) ownership/lease of land and facilities or (ii) cooperation with third-party	Size of the facilities
Sha Ping Ba, Chongqing	Self-operating	100%	100%	Building is leased by the Group, with the lease expiring in January 2018.	4,179 sq.m.
Yuzhong, Chongqing	Self-operating	100%	100%	Building is owned by the Group built on leased land, with the lease expiring in May 2014. An application for renewal of the lease has been submitted.	3,556 sq.m.

Location	Form of operation	Share of profit	Group's share of operating costs	Details of (i) ownership/lease of land and facilities or (ii) cooperation with third-party	Size of the facilities
Shanghai	Cooperation with government-owned funeral parlor	75%	100%	Funeral facility area provided rent-free by the government-owned funeral parlor under the contract terms. The cooperation contract expires in June 2018.	1,280 sq.m.
Hefei	Cooperation with government-owned funeral parlor	60%	100%	Funeral facility area provided rent-free by the government-owned funeral parlor under the contract terms. The cooperation contract expires in 2018.	1,338 sq.m.
Ningbo	Self-operating	—	—	The Group has yet to source a property to use as a funeral parlor.	—
Xiamen	Cooperation with government-owned funeral parlor	60%	The Group will share 60% of the operating costs when the funeral facility is profitable, and 90% of the operating costs when it is unprofitable	Funeral facility area provided for an annual rental fee of RMB120,000 by the government- owned funeral parlor under the contract terms. The cooperation contract expires in 2024.	4,000 sq.m.

We provide customized funeral services at our funeral facilities and we generate revenue from planning, organizing and conducting funerals, including among other services, the transportation of the deceased to the funeral facilities, cosmetological services, keeping of vigils, the performance of religious rituals and ceremonies, catering and post-funeral services.

We sell our funeral services in funeral packages and offer our customers the ability to personalize the funeral arrangements through the value-added services we offer, such as video presentations on the life of the deceased, customized wreaths and flower arrangements and specially-prepared decorations for display at the funeral.

The following diagram illustrates the major steps involved in the provision of our funeral services:

1. Transporting the deceased to our funeral facility

- We typically receive and transport the deceased to our funeral facility.
- We place the deceased in our mortuary and discuss the funeral arrangements with the family members.
- Our technicians inspect the equipment in the mortuary every day to ensure that it is always functioning properly.

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2. Selecting funeral packages, signing of contract and payment of fees

- We provide consultations with our customers and suggest certain funeral packages and various value-added services for them.
- Our customers select a particular funeral service, together with certain of our value-added services, and sign our sales contract.
- Save for our funeral facilities in Chongqing, customers pay the full service fee before we commence work. For our funeral facilities in Chongqing, customers pay a deposit when they sign our sales contract.

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3. Preparation for the funeral ritual/ceremony

- We make up and dress up the deceased in accordance with the wishes of our customers.
- We set up and decorate the funeral hall and arrange for the performance of religious rituals or ceremonies as required by our customers.
- We provide value-added services, such as customized wreaths and flower arrangements, specially-prepared decorations for display at the funeral and video presentations celebrating the life of the deceased.

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4. Conduct funeral ritual/ceremony

- We are attentive to the varying rituals and ceremonies that our customers in different localities require and provide suggestions to our customers as to the rituals and ceremonies to be performed in accordance with local customs.

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5. Conduct farewell ceremony and settling of accounts

- We rehearse the procedures of the farewell ceremony with the family members of the deceased.
- We conduct a farewell ceremony, while observing various Chinese cultural traditions and rituals that are in line with the deceased's religion.
- For our funeral facilities in Chongqing, customers pay the remaining balance of our fees on the day before the farewell ceremony (for our other locations, payment of all fees is required in advance).

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6. Transport the deceased to the crematorium

- We assist in arrangements with the crematorium and the transportation of the decreased to the crematorium.
- We offer storage of the cremains of the deceased in our cremation niches.

Our customers are given the choice to personalize the funeral services by including various value-added services we provide, such as video presentations featuring the life stories of the deceased, customized wreaths and flower arrangements and specially-prepared decorations for display over the funeral, to the predetermined funeral services packages we offer. We assign a customer service representative to each customer to act as the host of the funeral. The host of the funeral oversees all aspects of the funeral, coordinates the performance of the various rituals and ceremonies involved in the funeral and attends to any special request from the customer. All our operating staff receive specialized training in providing funeral services and are trained to be attentive to the needs of customers when planning and providing such funeral services.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the range of yearly average selling prices for the funeral services at both of our funeral facilities in Chongqing was RMB17,000 to RMB22,100. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the range of yearly average selling prices for the funeral services at our funeral facility in Hefei was RMB1,600 to RMB2,600. For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, as we only started to provide funeral services in Shanghai from 2011, the range of yearly average selling prices for the funeral services at our funeral facility in Shanghai was RMB3,900 to RMB4,600. For the six months ended June 30, 2013, as we only started to provide funeral services in Xiamen in 2013, the yearly average selling price for the funeral services at our funeral facility in Xiamen was RMB6,350. Our funeral facility in Ningbo is still in its start-up phase and its selling price range figures are not yet available as of the Latest Practicable Date.

Funeral Services Terms

Our sales contracts for funeral services set out details of the types of services and products we will provide over the course of the funeral service, such as special decoration and floral arrangements requirements of our customers, and the total service fee charged in relation to our provision of such funeral services. In Chongqing, our customers typically pay a deposit amounting to 5% to 10% of the total service fee and settle the remaining balance at the end of the provision of our services, before the farewell ceremony. At our other funeral facilities, we require our customers to pay the full service fee before we commence work.

OUR CEMETERIES

We provide burial services in our cemeteries that have been beautifully landscaped by professional landscape architects and designed to be in harmony with the natural surroundings and to reflect Chinese culture. Our cemeteries resemble parks and include lawns, ponds and groves of trees, providing a tranquil environment for customers to pay their respects to friends or family members who have passed away. As part of the overall landscape, our cemeteries also feature Chinese architectural style facilities, such as pagodas and pavilions. We extend and increase the number of burial plots in our cemeteries in phases based on customer demand to ensure that the landscaping of our cemeteries continue to be in harmony with the natural surroundings and that our cemeteries continue to appear lush and well-planned.

Our cemeteries also feature themed areas, each with distinctive landscaping and decorative features, to cater to the needs of our various groups of customers. For example, we have themed burial areas for children and adolescents with decorative features, such as statues of cartoon characters and landscaping of scenes from popular children's television programs, similar to a children's playground. We also have themed burial areas for veterans to honor their military service. These burial areas feature military themed monuments and memorials and provide a dignified setting and location for veterans to be buried. Such burial areas also allow fellow veterans to be buried in close proximity to each other.

We do not develop the entire available site area of our cemeteries into the various types of burial plots upon acquisition of the land. We can commence constructing burial plots on these areas without having to obtain any additional government approvals, as we have already obtained (i) the land use right certificates and (ii) the required licenses for cemetery operations in all the localities in which we operate. Construction of burial plots on our cemetery assets, which represent area to be developed in our cemeteries that has been cleared and landscaped, does not require extended periods of time or extra capital expenditures and the construction of each burial plot is typically completed over a few days. As such, we do not have fixed numbers of the various types of burial plots planned for a cemetery upon acquiring land but maintain flexibility in this regard so as to allow us to quickly adjust the mix of types of burial plots to best suit market demand and customer needs. We do the same for our columbariums and only construct additional floors of cremation niches as the need arises. The rights to use the site area that has been developed into burial plots are sold in burial plot parcels. We also sell the right to use our cremation niches.

Capital expenditures incurred for a particular cemetery is incurred when the cemetery is first developed on the land, where the land is first cleared and landscaped and buildings and other infrastructure is constructed to allow for continuing development of burial plots. We plan to develop certain infrastructure, such as main roads and certain structures for utilities, in Shandong Fu Shou Yuan and we expect to incur approximately RMB30 million for such development over the next three years. We have not incurred any capital expenditures in relation to Shandong Fu Shou Yuan as of the Latest Practicable Date. We intend to fund such capital expenditures through our internal resources.

Portions of Shanghai Fu Shou Yuan and Jinzhou Maoshan Anling stand on allocated land that can be used without a definitive term or payment of land premium. However, Jinzhou Maoshan Anling and Shanghai Fu Shou Yuan were built on government allocated land and we may be required to pay land premiums with respect to these cemeteries based on current market values if the current laws, rules and regulations of the PRC and the interpretation of related policies and practice, concerning government allocated land, were to change, or vacate such land. See "Risk Factors — Risk Relating to Our Business — Jinzhou Maoshan Anling and Shanghai Fu Shou Yuan were built on government allocated land and we may be required to pay land premium with respect to these cemeteries based on current market values if the current laws, rules and regulations of the PRC and the interpretation of related policies and practice concerning government allocated land change." We obtained written confirmation from the Guta branch of the Jinzhou Land and Resources Bureau ("**Jinzhou Guta Land Bureau**") on August 26, 2013, stating that it will not require us to pay any land premium for or to vacate the allocated land in Jinzhou Maoshan Anling. On October 17, 2013, Jinzhou Land and Resources Bureau ("**Jinzhou Land Bureau**"), the higher-level land and resources authority immediately above the Jinzhou Guta Land Bureau, issued a confirmation letter, pursuant to which it confirmed the effectiveness of the confirmation made by the Jinzhou Guta Land Bureau in the confirmation letter dated August 26, 2013. We also obtained written confirmation from the Qingpu District Land and Resources Bureau of Shanghai City ("**Shanghai Qingpu Land Bureau**") on August 26, 2013, stating that it will not require us to pay any land premium for or to vacate the allocated land in Shanghai Fu Shou Yuan. On October 23, 2013, the deputy director of Land Planning Department of the Shanghai Planning and Land and Resources Bureau ("**Shanghai Land Bureau**"), the higher-level land and resources authority immediately above the Shanghai Qingpu Land Bureau, verbally confirmed the effectiveness of the confirmation made by the Shanghai Qingpu Land Bureau in the confirmation letter dated August 26, 2013.

Our PRC legal advisors confirmed that (i) both Jinzhou Guta Land Bureau and Shanghai Qingpu Land Bureau are appropriate and competent authorities to issue the respective confirmation letters, as both authorities are responsible for administering land resources matters in the relevant locations; and (ii) both Jinzhou Land Bureau and Shanghai Land Bureau are appropriate and competent authorities to issue the respective written and verbal confirmation, as they are the relevant immediate higher-level government authorities which oversee Jinzhou Guta Land Bureau and Shanghai Qingpu Land Bureau, respectively.

Our PRC legal advisors have further advised that, unless the decisions or confirmations made by the aforementioned authorities are found to have been made inappropriately, a higher authority would not override such decisions or confirmations. Based on the fact that (i) the confirmations issued by the aforementioned authorities have been properly made, and (ii) confirmations from Jinzhou Land Bureau, a higher-level land and resources authority immediately above Jinzhou Guta Land Bureau, and Shanghai Land Bureau, a higher-level land and resources authority immediately above Shanghai Qingpu Land Bureau, have been obtained, our PRC legal advisors are of the view that an even higher authority would not have any cause or reason to override any decisions or confirmations made by them.

The following table sets out details of the land of our respective cemeteries, including: (i) site area, (ii) nature of the land, (iii) original land acquisition cost, and (iv) date of original acquisition of the land.

	Site area	Land nature	Original land acquisition cost		Date of original land acquisition
	(sq.m.)		(RMB)	(RMB/sq.m.)	
Shanghai Fu Shou Yuan	402,034	Allocated land	76,498,450	190	Prior to 2000
Haigang Fu Shou Yuan.	100,523	Granted land	56,518,122	562	May 2008
Henan Fu Shou Yuan	302,191	Granted land	13,296,360	44	July 2005
Shandong Fu Shou Yuan	522,857	Granted land	74,492,741	142	August 2012
Hefei Dashushan Cultural Cemetery	87,702	Granted land	4,382,000	50	April 2002
Jinzhou Maoshan Anling	141,437[1]	Allocated, granted and leased land	—[2]	—[2]	—[2]

Notes:

(1) The site area of 141,437 sq.m. of Jinzhou Maoshan Anling, comprises 50,124 sq.m. of allocated land, 4,664 sq.m. of granted land and 86,649 sq.m. of leased land.

(2) We acquired the land for Jinzhou Maoshan Anling through an acquisition in May 2012. At that time, a valuation performed on the allocated land and leased land valued the land at approximately RMB338 per sq.m., assuming they were in the nature of granted land. The granted land was valued at approximately RMB365 per sq.m. at that time.

(3) We acquired most of our land a long time ago when the land costs were low. Such strategy of acquiring low-cost land in providing our burial services is one of the factors that has contributed to our high gross profits margins and net profit margins during the Track Record Period, see "Financial Information — Certain Income Statement Items — Gross Profit and Gross Profit Margin."

The following table sets out (i) the number of burial plots that have been taken up and the number of burial plots that are available at each of our cemeteries, based on the types of burial plots we offer through the various burial services we provide, and (ii) the developed area of each cemetery that is taken up by burial plots (comprising burial plots that have been taken up and those that are readily available to our customers) and the area of land that is available for the development of additional burial plots.

	Location of Cemetery											
	Shanghai Fu Shou Yuan		**Haigang Fu Shou Yuan**		**Henan Fu Shou Yuan**		**Shandong Fu Shou Yuan**		**Hefei Dashushan Cultural Cemetery**		**Jinzhou Maoshan Anling**	
	As at August 31, 2013											
Burial Services	Taken up	Available	Taken up	Available	Taken up	Available	Taken up	Available	Taken up	Available	Taken up	Available
Customized burial services (No. of units)	2,944	—	85	—	464	—	265	—	2,756	—	—	—
Artistic burial services (No. of units)	5,061	831	1,843	546	1,995	730	715	835	481	—	—	—
Traditional burial services (No. of units)	22,315	130	2,756	417	585	191	2,821	589	—	—	30,195	2,052
Lawn burial services (No. of units)	4,694	346	697	245	1,728	496	55	—	1,280	—	—	—
Green burial services (No. of units)	670	40	129	40	62	244	62	22	853	129	—	—
Indoor burial services (No. of units)	7,292	4,209	—	—	—(1)	—	—	—	—(2)	—	6	619
Developed area (sq.m.)(3)	109,532	2,543	13,383	2,558	14,208	3,008	16,975	6,290	14,820	—	91,737	8,906
Area to be developed (sq.m.)(3)	191,654		53,132		217,124		435,124		42,186		16,508	
Total saleable area (sq.m.)(4)	194,197		55,690		220,132		441,414		42,186		25,414	

Notes:

(1) Indoor burial services accounted for 0.3% to 0.6% of sales for the two years ended December 31, 2010 and 2011. No indoor burial services were provided for the year ended December 31, 2012 and the six months ended June 30, 2013.

(2) Indoor burial services accounted for 0.4% and 0.2% of sales for the year ended December 31, 2012 and the six months ended June 30, 2013, respectively.

(3) The developed area represents land in our cemeteries that has been cleared and landscaped and on which burial plots have been constructed. The area to be developed represents land in our cemeteries that excludes the developed area.

(4) The total saleable area comprises (i) the area on which the burial plots are built and (ii) an undivided share of the municipal areas that are required for the proper use and enjoyment of the burial plots. These municipal areas comprise landscaped areas and open spaces that surround the various burial lots and areas for common use, such as for roads and pathways within the cemetery to provide access to the burial lots, without which the burial plots themselves cannot be accessed and used.

We set forth below descriptions of our cemeteries:

(1) Shanghai Fu Shou Yuan（上海福壽園）

Established in 1994, Shanghai Fu Shou Yuan spans 402,034 sq.m. and is located in the Qingpu District of Shanghai (上海青浦區), adjacent to Songjiang river. Shanghai Fu Shou Yuan is situated along the G50 Shanghai Expressway and is in close proximity to the Shanghai Hongqiao Transportation Hub and the No. 9 Light Rail Station. This cemetery is set in a tranquil environment and has been designed to resemble a park, featuring green hills, clear ponds and various styles of artistic sculptures. The cemetery combines traditional cemetery design with contemporary burial concepts and incorporates modern technology. For example, in June 2010, we introduced modern memorials, such as tombstones embedded with a data storage device and LCD touch screen that displays images of the deceased.

This cemetery also contains a columbarium that has been designed to resemble a pagoda. The columbarium is beautifully designed and the cremation niches are separated into specially themed halls, each with distinctive decorative features, to cater to the needs of various groups of customers. See “Our Services — Our Burial Services — Our Range of Burial Services — Indoor Burial Services.”

We focus on the provision of premium burial services, such as customized and artistic burial services, at this cemetery. Shanghai Fu Shou Yuan was awarded the title of “National Funeral and Burial Reform Demonstration Unit” (全國殯葬改革示範單位) by the MCA in 2011 and was named a “Shanghai Famous Trademark” (上海著名商標) in 2012.

Shanghai Fu Shou Yuan is 100% owned by us and is managed by our subsidiary, Shanghai FSY Industry Development. See "History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Our Principal Operating Entities — 1. Shanghai FSY Industry Development."

We develop the four parcels of land as a whole, planning the design and layout of Shanghai Fu Shou Yuan as though it spans one single piece of land. This is so as to ensure that the landscaping of the cemetery is in harmony with its natural surroundings and that the cemetery continues to appear lush and well-planned. As such, the 303,729 sq.m. of land that is used for the development of burial plots within Shanghai Fu Shou Yuan is composed of portions of all four parcels of the land, and comprise (i) the area on which the burial plots are built and a strip of landscaping that adjoins the burial plot that also counts as part of the burial plot and (ii) an undivided share of the municipal areas that are required for the proper use of the burial plots. These municipal areas comprise areas for common use, such used as roads and pathways within the cemetery to provide access to the burial lots, and the larger landscaped areas and open spaces that surround the various burial lots, without which the burial plots themselves cannot be accessed and used. It is not possible to attribute parts of the cemetery to specific parcels of land. A significant amount of our landscape works were built over these municipal areas. We believe it is reasonable for our burial plot customers to bear a share of our landscape investment costs made over the municipal areas. Accordingly the saleable areas stipulated in our sales contracts for burial plots comprise not only the area exclusively designated for the plots sold but also a portion of our municipal areas. China Funeral Association has confirmed in writing that such practice is customary in the PRC death care practice.

Notwithstanding that the four parcels of land were developed as a whole, the land area in Shanghai Fu Shou Yuan that is designated for municipal facilities work use is in line with the requirements prescribed by the relevant government authorities. We have fully reported the overall development plan for Shanghai Fu Shou Yuan to the Shanghai Qingpu Land Bureau. On May 22, 2013, it also issued a confirmation letter confirming that the current use of land of Shanghai Fu Shou Yuan does not violate any applicable PRC laws or regulations, and, on June 7, 2013, the Shanghai Qingpu Land Bureau approved our development of the four parcels of land as a whole by way of written confirmation. Our PRC legal advisors have advised us that the Shanghai Qingpu Land Bureau is the competent authority to issue such confirmations.

As advised by our PRC legal advisers, as the PRC government, through a revised catalogue of permissible usage of allocated land, removed cemetery use from the permitted uses of allocated land, the present use of the allocated land as cemeteries does not comply with the current revised catalogue of permissible usage of allocated land due to such prospective change in the PRC law. However, we have obtained written confirmation from the Shanghai Qingpu Land Bureau on August 26, 2013 stating that it will not require us to convert the land into granted land or pay a land premium for such conversion. Further, the Shanghai Qingpu Land Bureau also confirmed that it will not require us to vacate the allocated land. In addition, on October 23, 2013, Shanghai Land Bureau, the higher-level land and resources authority immediately above the Shanghai Qingpu Land Bureau, verbally confirmed the effectiveness of the confirmation made by the Shanghai Qingpu Land Bureau in the confirmation letter dated August 26, 2013. Based on such confirmations, our PRC legal advisors, Watson & Band Law Offices have advised us that under the current laws, regulations and policies of the PRC, the Group would not be required to pay a land premium for or vacate the allocated land. See

"Risk Factors — Risk Relating to Our Business — Jinzhou Maoshan Anling and Shanghai Fu Shou Yuan were built on government allocated land and we may be required to pay land premium with respect to these cemeteries based on current market values if the current laws, rules and regulations of the PRC and the interpretation of related policies and practice concerning government allocated land change."

Set forth below are certain details regarding this cemetery and the columbarium in the cemetery as of August 31, 2013:

Cemetery	
Developed area	112,075 sq.m.
Taken up area[(1)]	109,532 sq.m.
Available area[(2)]	2,543 sq.m.
Area to be developed	191,654 sq.m.
Total saleable area	194,197 sq.m.
Columbarium	
Developed area	66,000 sq.m.
Taken up niches	7,292 units
Available niches	4,209 units
Area to be developed	132,000 sq.m.

(1) The taken up area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The right to use the burial plots are sold as part of our burial services.

Set forth below are the range of yearly average selling prices for the various burial and cemetery maintenance services at Shanghai Fu Shou Yuan over the Track Record Period:

Type of services	Range of selling price over the Track Record Period (RMB)
Customized burial services	291,770-498,330
Artistic burial services	96,374-147,886
Traditional burial services	153,945-250,028
Lawn burial services	47,544-77,556
Green burial services	13,038-38,510
Indoor burial services	15,468-28,187
Cemetery maintenance services	130-170

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the average selling price of burial plots in Shanghai Fu Shou Yuan was RMB98,988, RMB129,972, RMB150,615 and RMB138,594, respectively.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we generated revenue from our operations in Shanghai Fu Shou Yuan in the amount of RMB240.0 million, RMB273.6 million, RMB279.8 million and RMB141.7 million, respectively, accounting for 68.5%, 64.9%, 58.3% and 46.2%, respectively, of our total revenue for the same periods. For the same periods, our revenue from the sale of burial plots was RMB235.5 million, RMB265.5 million, RMB268.5 million and RMB134.3 million, respectively.

(2) Haigang Fu Shou Yuan（海港福壽園）

Established in 2007, Haigang Fu Shou Yuan is located in the Pudong New District of Shanghai (上海浦東新區), adjacent to the East Sea. Haigang Fu Shou Yuan is in close proximity to Yangshan Deep-Water Port and the Donghai Bridge. Haigang Fu Shou Yuan has a total planned area of approximately 350,000 sq.m., of which approximately 100,523 sq.m. of land has been acquired by us for use as cemetery land. The government has a fixed quota for land to be sold each year, and the government allocates the fixed quota solely at its own discretion and does not allocate based on usage of the land.

Although we have not entered into any contract with relevant government authorities for the remaining approximately 250,000 sq.m. of land, we have consulted Shanghai Lingang Economic Development (Group) Co., Ltd. (上海臨港經濟發展集團有限公司) ("**Lingang Group**"), which is the entity authorized by the local government to grant land, and we have been told that within three years, approximately 250,000 sq.m. of land will be granted to Shanghai Lingang, the shareholder of Shanghai Nanyuan. Shanghai Lingang has also issued a letter to us stating that it will transfer this parcel of land to us after obtaining such land use rights. As advised by our PRC legal advisors, Watson and Band Law Offices, there is no legal impediment for our Group to acquire the remaining land. Furthermore, the impact on our Group's operations and financial results if it fails to acquire the remaining land will be insignificant on the basis that (i) Shanghai Nanyuan's revenue for 2012 was approximately 13% of our

Group's total revenue in 2012 (Shanghai Nanyuan was accounted for as an associate of our Group in year 2012); (ii) our Group currently has sufficient land to sustain our business operations for the next 20 years; and (iii) our Company has multiple ways to acquire new land to develop new projects.

This cemetery has been designed to be in harmony with the natural surroundings and was constructed to complement the burial services we provide at Shanghai Fu Shou Yuan, where our customized and artistic burial services are offered on smaller burial plots. This is, in part, to conserve the relatively limited site area of this cemetery and to allow for the development of more burial plots.

We focus on the provision of premium burial services, such as customized and artistic burial services, in this cemetery. Haigang Fu Shou Yuan was awarded the "Shanghai Labor Day Certificate" (上海市五一勞動獎狀) in 2011 and the title of "2011-2012 Shanghai Model Unit" (2011-2012年度上海市文明單位) by the Shanghai Municipal Government in 2011 and 2012.

Haigang Fu Shou Yuan is 40% owned and fully managed and operated by our subsidiary Shanghai Nanyuan. See "History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Our Principal Operating Entities — 7. Shanghai Nanyuan." This cemetery has been developed on land that has been zoned for cemetery development and acquired from the local government authorities for a period of 50 years.

Set forth below are certain details regarding this cemetery as of August 31, 2013:

Cemetery	
Developed area	15,941 sq.m.
Taken up area[1]	13,383 sq.m.
Available area[2]	2,558 sq.m.
Area to be developed	53,132 sq.m.
Total saleable area	55,690 sq.m.

(1) The taken up area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The right to use the burial plots are sold as part of our burial services.

Set forth below are the average selling prices for the various burial and cemetery maintenance services at Haigang Fu Shou Yuan for the six months ended June 30, 2013:

Type of services	Average selling price for the six months ended June 30, 2013(1)
	(RMB)
Customized burial services	211,243
Artistic burial services	55,655
Traditional burial services	119,804
Lawn burial services	44,713
Green burial services	28,741
Cemetery maintenance services	164

(1) The average selling price of Haigang Fu Shou Yuan does not have a range, as it is only consolidated into our Group's financial statements beginning in the first half of 2013. The range of other cemeteries refer to the average selling price over the Track Record Period.

For the six months ended June 30, 2013, the average selling price of burial plots in Haigang Fu Shou Yuan was RMB54,506.

For the six months ended June 30, 2013, we generated revenue from our operations in Haigang Fu Shou Yuan amounted to RMB42.5 million, accounting for 13.9% of our total revenue for the same period.

(3) Henan Fu Shou Yuan（河南福壽園）

Established in 2003, Henan Fu Shou Yuan, is located in Longhu Town, Zhengzhou of Henan province (河南省新鄭市龍湖鎮), approximately 10 kilometers from Zhengzhou, the capital city of Henan Province. Henan Fu Shou Yuan occupies a total site area of 302,191 sq.m. The cemetery is accessible by public transportation and is approximately 20 minutes by car from the Xinzheng International Airport. This cemetery is set in a tranquil environment and is surrounded by unique natural landscape and beautiful scenery, including ponds, wetlands, hills and creeks.

We focus on the provision of premium burial services, such as customized burial services, at this cemetery. In 2011, Henan Fu Shou Yuan was awarded "Henan Province Outstanding Provider for Burial Services" (河南省殯葬先進工作單位) by Henan Province Municipal Affairs Administration Bureau (河南省民政廳).

Henan Fu Shou Yuan is 100% owned and fully managed by our subsidiary, Henan FSY Industrial. See "History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Our Principal Operating Entities — 5. Henan FSY Industrial." Following the acquisition of this cemetery by Henan FSY Industrial, we have developed and introduced more burial services to the cemetery. This cemetery has been developed on land that has been zoned for cemetery development and which was acquired from the local government authorities for a period of 50 years.

Set forth below are certain details regarding this cemetery as of August 31, 2013:

Cemetery	
Developed area	17,216 sq.m.
Taken up area[(1)]	14,208 sq.m.
Available area[(2)]	3,008 sq.m.
Area to be developed	217,124 sq.m.
Total saleable area	220,132 sq.m.

(1) The taken up area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The right to use the burial plots are sold as part of our burial services.

Set forth below are the range of yearly average selling prices for the various burial and cemetery maintenance services at Henan Fu Shou Yuan over the Track Record Period:

Type of services	**Range of selling price over the Track Record Period**
	(RMB)
Customized burial services	100,972-204,362
Artistic burial services	12,960-34,925
Traditional burial services	21,539-48,932
Lawn burial services	5,117-12,130
Green burial services	620-4,521
Cemetery maintenance services	130-170

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the average selling price of burial plots in Henan Fu Shou Yuan was RMB17,388, RMB16,305, RMB30,126 and RMB36,401, respectively.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we generated revenue from our operations in Henan Fu Shou Yuan in the amounts of RMB23.5 million, RMB26.6 million, RMB29.5 million and RMB17.1 million, respectively, accounting for 6.7%, 6.3%, 6.1% and 5.6%, respectively, of our total revenue for the same periods.

(4) Shandong Fu Shou Yuan（山東福壽園）

Established in 2001, Shandong Fu Shou Yuan spans 522,857 sq.m. and is located to the south of Longquanguan Village in the Changqing District of Jinan (濟南市長清區龍泉官莊村南), Shandong Province. Shandong Fu Shou Yuan is accessible by public transportation and is in close proximity to Jinan — Guangzhou Expressway and Highway 220. The cemetery's park-like setting with beautiful natural scenery and various monuments of distinguished persons, artistic sculptures and calligraphy by famous Chinese artists, provide for a tranquil environment that is rich in Chinese culture. Shandong Fu Shou Yuan also reflects our commitment to our social responsibility, as we have allocated thousands of square meters of land to establish monuments and a memorial square in memory of veterans who served in World War II and the Chinese Civil War.

We focus on the provision of premium burial services, such as customized burial services, at this cemetery. Shandong Fu Shou Yuan was awarded the "Jinan City Patriotism in Education Award" (濟南市愛國主義教育基地), the title of "Jinan City Civilized Unit" (濟南市文明單位) and the "Jinan City Trustworthy Company Award" (濟南市守合同重信用單位) and the title of "Provincial Funeral and Burial Civilized Unit" (省級殯葬改革文明單位) by the Shandong Province Municipal Affairs Administration Bureau in 2012.

Shandong Fu Shou Yuan is 50% owned by us and is fully managed and operated by our subsidiary, Shandong FSY Development. See "History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Our Principal Operating Entities — 3. Shandong FSY Development." This cemetery has been developed on land that has been zoned for cemetery development and which was acquired from the local government authorities for a period of 50 years.

Set forth below are certain details regarding this cemetery as of August 31, 2013:

Cemetery	
Developed area	23,265 sq.m.
Taken up area[1]	16,975 sq.m.
Available area[2]	6,290 sq.m.
Area to be developed	435,124 sq.m.
Total saleable area	441,414 sq.m.

(1) The taken up area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The right to use the burial plots are sold as part of our burial services.

Set forth below are the range of yearly average selling prices for the various burial and cemetery maintenance services at Shandong Fu Shou Yuan over the Track Record Period:

Type of services	**Range of selling price over the Track Record Period**
	(RMB)
Customized burial services	183,871-319,667
Artistic burial services	67,713-82,747
Traditional burial services	31,029-35,222
Lawn burial services	9,101-9,717
Green burial services	9,600-18,396
Cemetery maintenance services	130-170

For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, the average selling price of burial plots in Shandong Fu Shou Yuan was RMB64,068, RMB63,519 and RMB58,944, respectively.

For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, we generated revenue from our operations in Shandong Fu Shou Yuan in the amount of RMB24.2 million, RMB35.4 million and RMB18.3 million, respectively, accounting for 5.7%, 7.4% and 6.0%, respectively, of our total revenue for the same periods.

(5) Hefei Dashushan Cultural Cemetery（合肥大蜀山文化陵園）

Established in 2002, Hefei Dashushan Cultural Cemetery spans 87,702 sq.m. and is located on the west side of Dashushan scenic area in Hefei, Anhui Province. Hefei Dashushan Cultural Cemetery is approximately ten kilometers from Hefei and is accessible by public transportation. This cemetery is the only cemetery in the PRC that is located in a PRC Government designated scenic area. It is a cultural memorial park filled with trees, flowers and sweeping lawns.

We focus on the provision of premium burial services, such as customized and artistic burial services, at this cemetery. Hefei Dashushan Cultural Cemetery was named a "AAA tourist attraction" by the National Tourism Administration (國家旅遊局) in 2012 and was awarded the title of "National Funeral and Burial Reform Demonstration Unit" (全國殯葬改革示範單位) and "National Civil Systems Demonstration Unit" (全國民政系統行業建設示範單位) by the MCA in 2011.

Hefei Dashushan Cultural Cemetery is 60% owned by us and is fully managed and operated by our subsidiary, Hefei Dashushan Co. See "History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Our Principal Operating Entities — 4. Hefei Dashushan Co." This cemetery has been developed on land that has been zoned for cemetery development and the land use right for this cemetery expires in December 2050.

Set forth below are certain details regarding this cemetery as of August 31, 2013:

Cemetery	
Developed area	14,820 sq.m.
Taken up area[(1)]	14,820 sq.m.
Available area[(2)]	— sq.m.
Area to be developed	42,186 sq.m.
Total saleable area	42,186 sq.m.

(1) The taken up area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The right to use the burial plots are sold as part of our burial services.

Set forth below are the range of yearly average selling prices for the various burial and cemetery maintenance services at Hefei Dashushan Cultural Cemetery over the Track Record Period:

Type of services	Range of selling price over the Track Record Period
	(RMB)
Customized burial services	101,587-136,653
Lawn burial services	34,279-58,088
Green burial services	1,026-5,296
Indoor burial services	11,499-22,800
Cemetery maintenance services	130-170

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the average selling price of burial plots in Hefei Dashushan Cultural Cemetery was RMB56,031, RMB77,755, RMB76,052 and RMB78,240, respectively.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we generated revenue from our operations in Hefei Dashushan Cultural Cemetery in the amounts of RMB46.4 million, RMB57.6 million, RMB61.3 million and RMB35.4 million, respectively, accounting for 13.2%, 13.7%, 12.8% and 11.5%, respectively, of our total revenue for the same periods. For the same periods, our revenue from the sale of burial plots was RMB38.8 million, RMB45.0 million, RMB46.8 million and RMB27.2 million, respectively.

(6) Jinzhou Maoshan Anling (錦州市帽山安陵)

Established in 2004, Jinzhou Maoshan Anling spans 141,437 sq.m. and is located to the Northwest of Jinzhou City, Liaoning Province. Jinzhou Maoshan Anling is accessible by public transportation. The cemetery is adjacent to Jinzhou Liberation Martyrs Cemetery (錦州烈士陵園) and offers an unobstructed view of downtown Jinzhou City on its south side and Zijing Mountain (紫荊山) on its east side.

This cemetery also contains a columbarium designed to resemble a pagoda and pavilions. The columbarium is beautifully designed and the cremation niches are separated into specially themed halls, each with distinctive decorative features, to cater to the needs of various groups of customers. See “Our Services — Our Burial Services — Our Range of Burial Services — Indoor Burial Services.”

We are the only private company that has been licensed by the local government to provide burial services in Jinzhou and we focus on the provision of customized burial services at this cemetery. The cemetery has received several awards, including the “Advanced Unit in Promoting Cultural and Ethical Progress” (全國精神文明建設工作先進單位) in 2009, “First Class Cemetery in Liaoning Province” (遼寧省一級公墓) in 1998, “Ecological Cemetery in Liaoning Province” (遼寧省生態公墓) in 2011, and “Garden-style Unit in Liaoning Province” (遼寧省花園式單位) and “Advanced Unit with Satisfactory Customer Services in Liaoning Province” (遼寧省用戶滿意服務先進單位) in 2004.

Jinzhou Maoshan Anling is 100% owned by us and is fully managed and operated by our subsidiary, Jinzhou Maoshan Anling. 117,151 sq.m. of this cemetery is for the development of burial plots, of which 50,124 sq.m. is allocated land. The allocated land in this cemetery was first allocated to the Jinzhou Public Cemetery Administration Department, the minority shareholder of Jinzhou Maoshan Anling, by the government in 1992 for cemetery use without violation of any then-applicable laws and regulations. In 2004, Jinzhou Public Cemetery Administration Department injected the allocated land use right into Jinzhou Maoshan Anling. In 2001, following the promulgation of the new Land Allocation Catalogue issued by the Order of the Ministry of Land and Resources, allocated land was no longer allowed for commercial cemetery use. Thus, the current use of such land was not consistent with the requirements under the new and currently applicable laws and regulations promulgated in 2001. We have obtained written confirmation from the Jinzhou Guta Land Bureau on August 26, 2013 stating that it will not require us to convert the land into granted land or pay a land premium for such conversion. Further, the Jinzhou Guta Land Bureau also confirmed that it will not require us to vacate the allocated land. In addition, on October 17, 2013, Jinzhou Land Bureau, the higher-level land and resources authority immediately above the Jinzhou Guta Land Bureau, issued a confirmation letter, pursuant to which it confirmed the effectiveness of the confirmation made by the Jinzhou Guta Land Bureau in the confirmation letter dated August 26, 2013. Based on such confirmations, our PRC legal advisors, Watson & Band Law Offices have advised us that under the current laws, regulations and policies of the PRC, the Group would not be required to pay a land premium for or vacate the allocated land. See “History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — A. Our Principal Operating Entities — 6. Jinzhou Maoshan Anling” and “Risk Factors — Risk Relating to Our Business — Jinzhou Maoshan Anling and Shanghai Fu Shou Yuan were built on government allocated land and we may be required to pay land premium with respect to these cemeteries based on current market values if the current laws, rules and regulations of the PRC and the interpretation of related policies and practice concerning government allocated land change.”

Set forth below are certain details regarding this cemetery and the columbarium in the cemetery as of August 31, 2013:

Cemetery	
Developed area	100,643 sq.m.
Taken up area[(1)]	91,737 sq.m.
Available area[(2)]	8,906 sq.m.
Area to be developed	16,508 sq.m.
Total saleable area	25,414 sq.m.
Columbarium	
Developed area	230 sq.m.
Taken up niches	6 units
Available niches	619 units
Area to be developed	—

(1) The taken up area of the cemetery represents the total area of the burial plots for which the rights to use them have already been sold.

(2) The available area of the cemetery represents the total area of the burial plots for which the rights to use them have not yet been sold. The right to use the burial plots are sold as part of our burial services.

Set forth below are the range of yearly average selling prices for the various burial and cemetery maintenance services at Jinzhou Maoshan Anling over the Track Record Period:

Type of services	**Range of selling price over the Track Record Period**
	(RMB)
Traditional burial services	25,486-27,954
Indoor burial services	—[(1)]
Cemetery maintenance services	130-170

(1) No cremation niches were sold over the Track Record Period.

For the year ended December 31, 2012 and the six months ended June 30, 2013, the average selling price of burial plots in Jinzhou Maoshan Anling was RMB25,486 and RMB27,954, respectively.

For the year ended December 31, 2012 and the six months ended June 30, 2013, we generated revenue from Jinzhou Maoshan Anling in the amount of RMB31.2 million and RMB24.9 million, accounting for 6.5% and 8.1% of our total revenue for the same periods, respectively.

Land Acquisition for Cemetery Development

After 2001, the PRC government, through a revised catalogue of permissible usage of allocated land, categorized cemetery use out of the permitted use of allocated land. Currently, land for cemetery development must first be zoned for cemetery development by the relevant government authorities before it can be privately acquired from the relevant local governments by cemetery operators. Cemetery operators who intend to acquire land to develop cemeteries may gain approval from the PRC Land Administration Bureau (土地管理部門) for cemetery development of a particular plot of land, and approval from the PRC Land Zoning Department (土地規劃部門) to have the plot of land zoned as land that is suitable for cemetery development. Cemetery operators can only complete their acquisition of the land and pay the applicable land premiums after the land has been zoned for cemetery development. The right to use such land is typically limited to a fixed term, which varies between localities, and is subject to renewal at the end of the term.

Due to the characteristics and requirements of our cemeteries, the size and location of the parcels of land play an important role in our land purchasing decisions. We intend to acquire land, through mergers and acquisitions with other cemetery operators, through collaboration with government entities and through buying land from third parties, in Nanchang and in other major cities of other provinces to develop new cemeteries. Mergers with and acquisitions of other cemetery operators would allow us to quickly acquire land that is already approved for cemetery development, without having to wait for land to be appropriately zoned by the relevant government authorities. Such cemetery operators would also already have the required licenses to operate the cemeteries and we would be able to commence operations immediately after the merger or acquisition. Collaboration with government entities by way of entering into joint ventures to establish and operate cemeteries would not only allow us to quickly obtain land that has been zoned for cemetery use, but will also assist in our applications for the required licenses to operate a cemetery on the land. Further, there are instances where third parties have obtained land that has been zoned for cemetery use but were unable to procure the required licenses to operate a cemetery. Where such land meets our acquisition criteria, we intend to purchase the land from these third parties.

In November 2012, the Group entered into a non-binding agreement with the local government of Xinjian District of Nanchang City in Jiangxi Province, pursuant to which it is intended that the Group construct the planned Nanchang Hongfu Cultural Memorial Park on approximately 800,000 sq.m. of land to be allocated over two phases by the relevant local government authorities to the Group. All of the land is expected to be allocated to the Group by the end of 2017. We expect to commence construction of phase I of the Nanchang Hongfu Cultural Memorial Park in the first half of 2014 and we expect to complete phase I in the second half of 2014. The expected capital expenditure for the construction of Nanchang Hongfu Cultural Memorial Park is RMB142 million. We are in the process of securing the lands and we have incurred approximately RMB37 million as at the Latest Practicable Date, which was funded from our internal resources. The remaining capital expenditure will be funded by the proceeds from the Global Offering and our internally generated funds. At the same time, we also intend to gradually expand a number of the cemeteries we currently own by acquiring land on the fringes of these sites. We currently expect the remaining land available at our existing cemeteries to be able to sustain the Group's operations for at least 20 years based on our total saleable area of all our cemeteries and the land area of the burial plots that we expect to be taken up in 2013.

CREMATION MACHINES

We entered into an investment agreement with Anhui Guangde Economic Development Management Committee in June 2012, whereby both parties agreed to cooperate to construct a factory to manufacture environmentally-friendly cremation machines. In return for our constructing and operating the cremation machine factory in Anhui to assist with the locality's economic development, the Anhui Guangde Economic Development Management Committee has agreed to (i) ensure that we are provided certain fiscal subsidies; (ii) assist us with the various licensing applications associated with the establishment of the factory; and (iii) provide us with a monetary incentive of approximately RMB40,000 for every mu of land acquired by the Group, if (a) we invest a total of RMB180 million into the construction of the cremation machine factory (including purchasing the required land) within 24 months of acquiring the required land; (b) we are able to complete construction of the cremation machine factory within 21 months of obtaining the land on which the factory is to be built; and (c) if the cremation machines roll off the production line within 12 months of the factory being completed. The Anhui Guangde Economic Development Management Committee will not share in the profits or operating costs of the factory.

The Directors believe that demand for environmentally-friendly machines would increase as government authorities in the PRC death care industry are shifting their focus to making the industry more environmentally friendly. Current technologies employed by the crematoriums in the PRC, which are all operated by the PRC government, are obsolete and polluting. Replacement of the old and obsolete cremation machines, together with the trend of urbanization in the PRC, the increasing rate of cremations in the population and the growing number of crematoriums in the PRC, point towards an increasing need for more advanced cremation machines. We have conducted market studies to estimate the demand and take-up rate for these machines by performing research on the PRC cremation industry and consulting reports and studies on the PRC death care services industry. Through these market studies, we plan to construct a cremation machine factory that has a maximum designed capacity of 300 cremation machines a year. We intend to maintain a level of flexibility to vary the factory's production output and capacity as the factory operates, to keep production output in line with demand and to ensure the factory's production capacity is able to meet any increase in market demand. The Directors also believe that expanding into the manufacture of cremation machines will allow us to increase the range of our product offerings along the entire death care services industry chain, which would further strengthen our position as a leading player in the PRC death care services industry.

We expect to obtain approximately 57,600 sq.m. by the end of the first quarter of 2014 to build the factory pending the issuance of the land use right certificate for the relevant land by the relevant government authority. We aim to commence construction of the factory once the land is obtained and to complete construction within 12 months. We expect our capital expenditures for the establishment of the cremation machine factory to amount to approximately RMB94 million, of which approximately RMB9 million, RMB15 million and RMB70 million is expected to be spent on land acquisition, manufacturing equipment, and factory design and construction, respectively. The expected capital expenditure of RMB94 million for the establishment of the cremation machine factory does not take into account the monetary incentive of approximately RMB40,000 for every mu of land acquired by the Group. If we are granted with the monetary incentive, we expect to use it to offset part of our expected capital expenditures. As of the Latest Practicable Date, we have incurred RMB37 million in capital expenditures in relation to the establishment of the cremation machine factory. We expect to fund such capital expenditures through our internal resources.

PRICING OF OUR SERVICES

We maintain separate pricing teams for our death care services. Both pricing teams are composed of members from the various departments within each of the death care services departments.

We determine the pricing of our services based on the following factors: (i) cost of sales and services; (ii) price controls by the PRC Government; (iii) nature of the services; (iv) the relative complexity of the services provided; (v) reasonable profit margin to the Group; and (vi) pricing of other death care services providers. The pricing of our various burial services is also determined based on the location of the burial plot or cremation niche.

The PRC Government has set maximum prices for certain components of funeral services through pricing directories in various provinces. The components of funeral services and their respective maximum prices vary from province to province. Currently, our operations require us to adhere to price controls, including (i) fixed pricing controls for transportation and cold storage of remains and (ii) guided pricing controls for cosmetological services. Our other value-added services are not subject to price controls. See "Risk Factors — Risks Relating to the Death Care Services Industry in the PRC — Our business may be subject to price controls," and "Risk Factors — Risks Relating to Our Business — We may not be able to sustain premium pricing for our death care service offerings, which may adversely affect our profit margins."

The prices of our death care services are adjusted to reflect the market environment of the particular locality in which such services are sold. For example, the prices for similar services are generally higher in Shanghai as compared to the other localities in which we operate. Further, in line with our commitment to social responsibility, we also consider the unique circumstances of our customers when considering pricing and may offer discounts in special cases, such as where police officers, soldiers or other public servants have died in the line of duty, or where the needy, such as certain low income families and cancer patients who have spent all their money on cancer treatment before dying, have difficulty affording death care services.

As funerals and burials are considered a means for family members to pay their respects to the deceased and are viewed with great importance in traditional Chinese culture and custom, prices of death care services are often less of a consideration as compared to the quality of the death care services.

SETTLEMENT AND CASH MANAGEMENT

Our customers may settle their accounts for our services by way of cash, bank transfers or credit cards, although nearly all of customer accounts for our death care services are settled in cash or via bank transfer. For the years ended December 2010, 2011 and 2012 and the six months ended June 30, 2013, we received RMB135.8 million, RMB151.2 million, RMB182.2 million and RMB127.6 million of our revenue in cash, representing 38.7%, 35.9%, 38.0% and 41.6% of our total revenue for the relevant periods, respectively. Over the same periods, we received the balance of our revenue through bank transfers, which amounted to RMB214.7 million, RMB270.2 million, RMB297.8 million and RMB179.1 million, representing 61.3%, 64.1%, 62.0% and 58.4% of our total revenue for the same periods, respectively.

Our customers also have the option of settling their accounts with us via credit cards. For settlement via credit cards, we normally receive remittance from the relevant credit card companies, net of service charges, on the business day after the day on which the credit card transaction is approved. Hence, we generally do not have any significant receivables from credit card companies at any given time.

For our burial services, customers generally pay a deposit at the time they enter into the sales contract with us to reserve their chosen burial plot and/or cremation niche and the balance of the service fee before we commence work. See "— Our Services — Our Burial Services — Burial Services Terms." For our funeral services in Chongqing, our customers typically pay a deposit amounting to 5% to 10% of the total service fee and settle the remaining balance at the end of the provision of our services, before the farewell ceremony. At our other funeral facilities in other cities, we require our customers to pay full service fee before we commence work. All our funeral services are either paid for in full before or immediately after our services are rendered and we do not offer any credit terms to our customers.

For the three years ended December 31, 2012 and the six months ended June 30, 2013, our single largest customer accounted for approximately 0.5%, 0.8%, 1.3% and 1.0%, respectively, of our total sales. For the same periods, our top five largest customers accounted for less than 30% of our total sales in aggregate.

We assign duty managers and certain sales personnel to be responsible for ensuring that each day's sales in cash have been properly deposited in a safe located at our cemeteries and funeral facilities after the close of business each day. We have also adopted a cash management and delivery system at each of our cemeteries and funeral facilities, where cash receipts (after reaching a predetermined amount and after a reasonable reserve amount has been deducted) will be delivered by a designated manager from our finance department to the bank for deposit. For bank transfers, we have dedicated personnel in our finance department to monitor the receipt of funds to ensure that our funeral and burial operations personnel only purchase the necessary construction materials and begin work after our customers have made full payment for our services.

To safeguard against the risk of insider fraud or misappropriation of cash by our employees, with respect to cash management, we have adopted a cash management and delivery system at each of our cemeteries and funeral facilities to provide for, among other things, authorization and approval from relevant duty managers for movements in cash (including cash receipts and payments), control over cash deposits (including management of cash deposits with banks and online banking management) and capital management of the Group. At each of our cemeteries and funeral facilities, we have appointed duty managers and certain sales personnel to be responsible for ensuring that each day's sales in cash are properly deposited in a safe located at the cemeteries and funeral facilities after the close of business each day, and cash receipts (after reaching a predetermined amount and after a reasonable reserve amount has been deducted) are delivered by a designated manager from our finance department to the bank for deposit into the Group's central bank account. This process is overseen by a local resident supervisor, who reports directly to the finance department. For bank transfers, we have dedicated personnel in our finance department to monitor the receipt of funds to ensure that funeral and burial operations personnel only begin work after full payment for our services have been received.

In relation to the financial reporting process with respect to cash receipts and bank transfers into the Group's bank accounts, we segregate the duties of the business department and the finance department. The business department carries out invoicing for services provided and the finance department handles the collection of payments. We have implemented a system of checks and balances at all of our cemeteries and funeral facilities to ensure that our receipts are accounted for in every transaction on each day. The business managers of the various cemeteries and funeral facilities are responsible for reviewing the accuracy and completeness of the invoices and the finance managers of the various cemeteries are responsible for ensuring that all payments are properly collected. Our finance department will review the invoices provided by the business managers on a daily basis and reconcile the amounts on the invoices and the sales records for the day against the cash received and funds transferred to us via bank transfer. Our finance manager oversees the reconciliation of the invoices against funds received to ensure the process is properly conducted. This reconciliation process of the invoices from the business department and cash and bank transfers received by the finance department is overseen and monitored by our Group's internal control department.

In addition to (i) establishing cash management and delivery systems and (ii) implementing financial reporting processes at each of its cemeteries and funeral facilities, we have also established a centralized financial management system, whereby we have dedicated finance personnel to manage and control our Group's central bank account and exercise cash management for our Group as a whole and to report the finances of our Group to senior management.

To detect and prevent our Group's bank accounts from being used for illicit purposes, only delegated finance personnel of our Group have access to and are able to operate our Group's bank accounts. These finance personnel each manage and are responsible for separate bank accounts and all of them have at least five years of working experience in finance prior to joining our Group. They also receive training provided by our Company's senior management twice a year. Our Company has also performed background checks on these individuals to ensure their suitability to manage the bank accounts of our Group. In addition, all transactions/movements of money exceeding RMB10,000 must be approved by Wang Jisheng, one of our executive Directors.

To detect and prevent cash misappropriation by its employees, our Group has (i) established a cash management and delivery system and (ii) implemented financial reporting processes at each of its cemeteries and funeral facilities. In addition, our Company also encourages payments for its services via credit card or bank transfer, thus limiting the volume of cash receipts and lowering the risk of misappropriation of cash by our Group's employees.

Further, we have a Planning and Financial Management Center which is headed by its general manager, Mr. Wu Hui, who is also our Financial Controller. Mr. Wu is a member of the institute of certified public accountants of China. He has over 16 years of working experience in the accounting, auditing and financial management sector. Mr. Wu has previously worked at Deloitte Touche Tohmatsu for seven years, as well as carrying out auditing, accounting and financial management functions at other listed companies for over nine years. The main functions of the Planning and Financial Management Center include: (i) to ensure our Group complies with all relevant PRC laws and regulations in relation to financial management, auditing; (ii) to devise internal rules and guidelines for our Group's asset management and financial management system; (iii) to actively manage our Group's assets, including investments and depositions activities; (iv) to take part in our Group's project planning work, including supervising and auditing feasibility studies and financing plans for proposed projects; (v) to oversee our Group's taxation management, cost management and administrative matters for our Group's real property registration, amongst others; and (vi) be responsible for the central management of cash flow, investments, financing and the declaration of dividends of our subsidiaries.

In addition, our Company also encourages payments for our services via credit cards or bank transfers, thus limiting the volume of cash receipts and lowering the risk of misappropriation of cash by our Group's employees.

Our internal control consultant, a well reputed accounting firm and has long and successful track record in providing internal control review services to a wide range of clients, had conducted a review on the internal control systems of certain entities of our Group including our Company and major operating subsidiaries (the "**reviewed entities**") based on an agreed work scope to highlight the areas for improvement. The agreed work scope included conducting a review of (i) the risk assessment, internal communication, and financial reporting and disclosure at the Group level and (ii) the financial reporting and disclosure, sales and procurement management, inventory and costing management, assets and project management, human resources and remuneration management, cash management and information system control at the operating subsidiaries' level. The internal control review commenced in May 2013 and was completed in June 2013. The internal control consultant reported to us that it identified certain deficiencies in the cash management systems in some of the reviewed entities based on the agreed scope and we have taken steps to improve our systems based on the internal control consultant's findings. The internal control consultant noted the remediation actions have been taken by management to rectify the deficiencies identified and did not identify any further deficiencies in its follow up review conducted in July 2013 and November 2013. Below are the details of those deficiencies and the recommendations from the internal control consultant and our follow up actions:

(i) The cash and bills systems of some of the reviewed entities lacked sufficient documentation of operation records on certain verification procedures, for example, there are no cash counting records and ad-hoc checking of cash count records by senior management. The internal control consultant advised us to prepare standardized cash count forms and keep proper records of ad-hoc cash count checking by senior management. We have implemented these internal control measures in 2013.

(ii) No sufficient records on the approval and monitoring of fund transfers among the subsidiaries of our Company were identified. The internal control consultant advised us that sufficient records of such approval and monitoring, such as applications, reports, approvals in writing, and duly signed written agreements of relevant fund transfer activities, shall be kept. We have adopted in 2013 the recommendations from the internal control consultant by establishing an internal policy which sets out the approval and reporting procedures for internal fund transfer activities and the requirements for proper filing of such records.

(iii) We have set up an approval mechanism for use of funds exceeding RMB500,000. However, there has been no sufficient approval and monitoring procedures at the Group level regarding the use of funds exceeding RMB500,000 by the subsidiaries of our Company, and such use of funds was approved and used at the subsidiary level only in some occasions. The internal control consultant advised us that, among others, the use of funds exceeding RMB500,000 should be duly approved at the Group level. We have implemented such internal control measures in 2013 by establishing an internal policy which sets out the reporting and approval process for the use of funds exceeding RMB500,000.

We have implemented enhanced internal control measures since the initial review conducted by the internal control consultant in May 2013. The internal control consultant has conducted two follow-up reviews in July 2013 and November 2013. The purpose of the first follow-up review in July 2013 was to assess whether our Group has implemented the internal control measures recommended by the internal control consultant and whether the deficiencies identified in the first phrase of the review have been rectified. The purpose of the second follow-up review in November 2013 was to assess whether the rectification of the outstanding deficiencies not yet rectified in the reviews conducted in May and July 2013 have all been implemented. The internal control consultant carried out the following works during the follow-up reviews: (i) conducting follow up interviews with our Group to ensure that deficiencies have been rectified and new internal control measures have been implemented; (ii) reviewing revised and new internal policies recommended by the internal control consultant; and (iii) reviewing samples and implementation of the revised internal control policies. The internal control consultant has followed its procedures and standards in conducting its follow-up reviews of our Group's internal control system. Based on the follow up review, we have demonstrated that we have rectified all material deficiencies identified by the internal control consultant and have adopted and implemented all major internal control measures recommended by the internal control consultant. The internal control consultant has not identified any further deficiencies during the second follow-up review. The internal control consultant conducted the second follow-up review which was completed in November 2013.

The internal control consultant noted in its follow up reviews on July 5, 2013 and November 2013 that we had established the internal control policies according to the recommendations of the internal control consultant, and put in place the internal control measures set out above, in rectifying the deficiencies identified under the scope of the review. Based on our remediation works, including the internal control consultant's follow-up reviews results, no further deficiency on the internal control rectification measures taken by us has been identified, including any deficiencies in the cash management systems of the reviewed entities, which would render our internal control measures inadequate and ineffective, and we confirm that all the internal control deficiencies that were considered material have been rectified and addressed. On that basis, the internal control measures that are currently in place are adequate and effective.

TREASURY MANAGEMENT

Our finance department has the responsibility to review the Group's treasury position and it oversees the day-to-day management of the Group's working capital and funding activities and prepares forecasts of cash receipts, disbursements and expected closing balances. These projections are carried forward and used as a tool for ensuring that any borrowings for operating needs are executed.

The scope of review of the Group's treasury position typically entails:

(i) regular estimates on our cash position at the subsidiary and Group level by taking into account projected revenue and by anticipating our expenditure of non-capital nature;

(ii) regular review of our capital nature expenditure against our annual budgetary plan;

(iii) ad hoc assessment of investment opportunities, typically involving site or project acquisitions. These opportunities are typically brought up by our finance department for the attention of our investment committee. The latter will make a final decision on the opportunity taking into account our Group's strategies and risks and reward considerations;

(iv) involvement of our Directors and our senior management in such review or decision-making process.

Our treasury management policies require, among other things, that: (i) each subsidiary report its bank account balance to our finance department on a periodic basis; (ii) any single transaction of the Group exceeding RMB0.5 million require approval from our senior management; (iii) delegated finance managers conduct periodic inspections on the funds of each subsidiary; and (iv) our finance department submit periodic treasury reports to the senior management and the general manager of the Group.

The investment committee of our Group is responsible for formulating investment policies and making investment decisions on opportunities brought up by the finance department. Our investment policies are currently not geared towards capital preservation and, as such, we do not currently invest our reserves in relative low-risk short-term financial instruments. Instead, our current investment policy is to leverage our investment committee's experience to search for merger and acquisition opportunities to grow the Group's business operations.

There are many risks involved with merging with or acquiring other companies to grow our business, and such risks include (i) selecting the wrong partner; (ii) being unable to plan and manage integration of the acquired company; (iii) paying too high a price for the merger or acquisition; and (iv) loss of key staff in the acquired company. To mitigate such risks, a team from our finance department evaluates each opportunity and prepares recommendations of viable opportunities to our investment committee for its consideration. Our investment committee then considers these opportunities against the risks involved, the potential rewards and the Group's strategies before giving approval to our finance department to proceed with the merger or acquisition. The current members of our investment committee include six members, namely the general manager of our Group, Mr. Wang Jisheng, the senior deputy general manager of our Group responsible for our sales and marketing, Mr. Ge Qiansong, the senior deputy general manager and joint company secretary, Mr. Zhao Yu, the chief financial officer of our Group, Mr. Luk Wai Keung, the in-house counsel of our Group, Mr. Yu Haigang (于海剛), the deputy general manager of our Group's planning and financial management center, Mr. Tian Yusheng. Both the general manager of our Group and the deputy general manager of our Group in charge of the sales and marketing department have significant experience in the death care industry, and our joint company secretary has significant experience in corporate finance. Together, they assist our Group to manage the aforementioned risks and to, among other things, better select partners, accurately assess the value of targeted businesses and plan and manage the integration of the acquired businesses. The investment committee is required to seek further approval from the Board for investments exceeding RMB10 million.

SALES AND MARKETING

Sales Team

As of the Latest Practicable Date, our sales team consisted of 150 sales personnel, located in 54 customer service centers across the various localities in which we provide funeral and/or burial services. All our sales personnel have received specialized training and are knowledgeable of the PRC death care services industry and of the death care services we offer. In addition, our sales personnel, who operate in various provinces across the PRC, have also been trained to understand the local customs for death care services in the localities in which they operate, so as to allow them to be attentive to the needs of prospective customers. We pay our sales personnel a commission for the services they have sold on our behalf.

We also engage sales agents to assist with the sales and marketing of our death care services. These sales agents are independent third parties and predominantly comprise individuals. We generally enter into contracts with them with respect to the sales and marketing services they provide to us and pay with a commission for the services they have sold on our behalf. We also reimburse them for the expenses they have incurred while marketing our services.

Our commission policies for both our sales personnel and external sales agents vary across the localities in which it operates and are shaped by each locality's practices and competitive environment. During the Track Record Period, the total commissions paid to our sales personnel and external sales agents accounted for 3.6%, 4.8%, 4.4% and 5.0% of the Group's revenue.

Customer Service Centers

We provide customer service and conduct sales and marketing through these customer service centers. To leverage the central location of our funeral facilities, which are all situated in the heart of the cities in which they are located where population density is high, each funeral facility contains a customer service center. As our cemeteries generally border the city centers of the localities in which they are situated, in order to maintain a presence among prospective customers and to respond to their needs and demands promptly, we maintain customer service centers for these cemeteries within the city centers of their location. In locations where we provide both death care services, our customer service centers conduct cross selling of both our services to provide customers with the whole chain of death care services, save for cremation services, which are exclusively provided by government entities. At of the Latest Practicable Date, we had 22, five, two, six, nine and eight customer service centers in Shanghai, Hefei, Chongqing, Zhengzhou, Jinan and Jinzhou, respectively, and one customer service center in Xiamen.

Marketing

Our sales staff who are stationed at these customer service centers conduct marketing activities in these locations and in the surrounding areas, such as organizing and conducting site visits to our cemeteries during Chinese cultural festivals. These activities are marketed as increasing cultural awareness and honoring and showing respect for one's ancestors. They allow visitors to become familiar with the layout of our beautifully landscaped cemeteries.

A large number of new customers have been referred to us through word-of-mouth, where customers who are satisfied with our services share their experience with others around them. We benefit from word-of-mouth marketing as it is a credible and personal form of advertising. We also enjoy other forms of unsolicited marketing, where newspapers, magazines and television programs would feature our services from time to time, increasing our visibility and strengthening the level of our brand recognition.

We believe that such marketing activities have allowed us to raise awareness of our brand and foster relationships with local and surrounding communities.

SUPPLIERS AND SERVICE PROVIDERS

Our principal supplies are urns, flowers and memorials, which we source from various independent third party suppliers in the PRC. We also source certain supplies from overseas suppliers, such as tombstones and unique materials used to construct certain features of customized burial plots, upon special request by our customers who have purchased our customized burial service.

We also outsource certain components of our death care services to various third party service providers in the PRC, including:

- transportation services — such as transporting (a) remains from the hospital or the deceased's home to our funeral facilities and from our funeral facilities to the crematorium; and (b) the family and friends of the deceased to and from our cemeteries and funeral facilities;

- cemetery repair services — such as repair and maintenance services of memorials and other fixtures in our cemeteries and/or funeral facilities;

- photographing services — such as producing the display photo of the deceased, photo taking or video recording during the farewell ceremonies at our funeral facilities or burial rituals at our cemeteries; and

- professional performance services — such as provision of marching bands, dancers, musicians and other cultural and/or ritual performances.

We maintain a policy of having at least two suppliers for each principal product supply and at least two service providers for each outsourced service to ensure that there are suitable alternative suppliers and service providers at all times. We believe that this policy has enabled us to minimize the risk of supply shortages and delays in the provision of outsourced services. During the Track Record Period, we did not encounter any shortage of supplies or delay in provision of outsourced services.

We maintain a stringent process in the selection of our suppliers and service providers. We conduct our own market research on prospective suppliers and service providers in the market and identify those that have a strong market reputation and whom we consider to be able to deliver high quality supplies and services in a timely manner. For the supplies we intend to purchase, we examine samples offered by potential suppliers and evaluate each prospective supplier's track record before adding them to our panel of approved suppliers. For the services we intend to outsource, we carry out trial runs of such services and evaluate each service provider's track record before adding them to our panel of approved service providers. We believe that this stringent process has enabled our customers to consistently receive the highest quality of services from us.

We normally enter into framework supply contracts with our suppliers for a one-year term, which provide for, among others, the unit prices of our supplies procured under the contracts. Such unit prices are usually adjustable. Under these framework supply contracts, we make periodic orders of quantities calculated based on our customer orders and our internally forecasted requirements. Our suppliers are normally required to provide us with product warranties. The credit terms extended by our suppliers may vary and depend on, among others, the length of our relationship with the respective supplier and the volume and price of our purchases.

Similar to our supply contracts, we normally enter into service contracts with our service providers for a one year term and some of the service contracts are project based which may have a term less than one year. The service fees are either fixed for a period of time or to be quoted each time we request for the provision of the services. Under the service contracts, we would request for the provision of services from time to time, depending on the anticipated demand for our services and requests from our customers.

We normally make payments to our suppliers in accordance with our contract terms and payment terms of our suppliers vary depending on the types of products or services supplied. For example, for our tombstone suppliers, we normally pay them once the tombstone is delivered and has passed inspection. We may also pay them in advance under certain circumstances, based on consideration of the supplier's funding needs and our financial condition. For our construction contracts, we normally make installment payments to the contractors in accordance with the degree of progress of construction. Some of our major suppliers with whom we have been able to maintain long-term business relationships typically offer us longer credit terms, which range between one and two years.

The following tables set out details of our top five suppliers for each of the three years ended December 31, 2012 and the six months ended June 30, 2013, including their background, years of relationship with the Group, the type of supplies purchased and the credit terms offered to our Group.

Background of the suppliers	Length of relationship with our Group (Approximate)	Type of supplies purchased from the suppliers	Credit terms offered to our Group
2010			
A designer and planner of cemeteries	19 years	Tombstones	1 year
A masonry of tombstones	17 years	Tombstones	2 years
A designer of cemeteries and masonry of tombstones	13 years	Tombstones	1 year
A masonry of tombstones	6 years	Tombstones	Determined based on sales progress
A provider of seedlings	5 years	Plants	1 year
2011			
A designer and planner of cemeteries	19 years	Tombstones	1 year
A masonry of tombstones	17 years	Tombstones	2 years
A designer of cemeteries and masonry of tombstones	13 years	Tombstones	1 year
A masonry of tombstones	6 years	Tombstones	Determined based on sales progress
A provider of building fixtures and fittings	14 years	Construction services	1 year
2012			
A designer and planner of cemeteries	19 years	Tombstones	1 year
A masonry of tombstones	17 years	Tombstones	2 years
A designer of cemeteries and masonry of tombstones	13 years	Tombstones	1 year
A masonry of tombstones	6 years	Tombstones	Determined based on sales progress
A masonry of tombstones and provision of maintenance services on tombstones	5 years	Tombstones	Determined based on sales progress
Six months ended June 30, 2013			
A masonry of tombstones	5 years	Tombstones	Determined based on sales progress
A designer and planner of cemeteries	19 years	Tombstones	1 year
A designer of cemeteries and masonry of tombstones	13 years	Tombstones	1 year
A masonry of tombstones	17 years	Tombstones	2 year
A masonry of tombstones	6 years	Tombstones	Determined based on sales progress

Although we do not enter into long-term service contracts with either our suppliers or service providers, we are able to maintain long-term business relationships with many of them. The average length of our relationship with each of our top five suppliers and service providers is ten years and 18 years, respectively.

For the three years ended December 31, 2012 and the six months ended June 30, 2013, purchases from our top five suppliers represented 76.4%, 77.6%, 75.5% and 75.4% of our total purchases, respectively, and purchases from our single largest supplier accounted for 28.1%, 30.2%, 25.1% and 25.8% of our total purchases, respectively.

None of our Directors or their associates, and none of our Shareholders had any interests in any of our top five suppliers during the Track Record Period. We did not have any disputes with any of our suppliers or service providers during the Track Record Period.

QUALITY CONTROLS

We maintain stringent quality controls over various aspects of our funeral and burial operations. For our funeral services, we have implemented a number of quality control steps. For instances, we require high hygiene standards and perform sterilization on the remains once they are transported to our funeral facilities and we regularly check to ensure the remains are properly stored. In addition, we ensure that our facilities are operating effectively by, among others, conducting regular inspections in relation to the functioning of our refrigerators and electrical appliances. We also conduct daily inspections of the hygiene and safety conditions of our other funeral facilities. In order to maintain the high quality of our services, we assign a customer service representative to be the host of each funeral service we provide to ensure our customers' inquires and requests are addressed in a timely manner. These representatives are also responsible to oversee the performance of our staff involved in the services we provide. With respect to third party contractors engaged by us to perform rituals and ceremonies, in the event there is any complaint against them and such complaint is finally determined by us to be valid, fees payable to these third party contractors will be withheld from them as a means to ensure their service quality. During the Track Record Period, we have not received any complaint of a material nature from our customers or the local authorities.

We have also implemented a number of quality control measures to ensure the quality of our burial services. We have engaged third party quality control consultants to inspect and assess the quality of our burial services. These consultants have provided us with reports on their findings and recommendations for improvements in the quality of our burial services. We have, based on recommendations from our quality control consultants, formulated and adopted internal policies and guidelines which set out the standards of safety, quality of equipment and services and environmental maintenance in our facilities.

EMPLOYEES

We recognize the importance of our employees to our business and are committed to the building and retaining of a strong team of employees. As of September 30, 2013, we had 1,092 full-time employees. The following table sets forth the number of employees for each of our areas of operations as of September 30, 2013.

Function	Number of employees	Percentage of total
Sales and marketing	238	21.5%
Human resources and training	37	3.3%
Funeral services	283	25.7%
Burial Services	92	8.3%
Design and planning of cemeteries	45	4.1%
Cemetery administration	186	16.8%
Management and general administration	225	20.3%
Total	1,106	100%

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we incurred staff costs (including salaries, benefits and allowances) of RMB70.9 million, RMB83.6 million, RMB96.6 million and RMB49.1 million, respectively, representing approximately 20.2%, 19.8%, 20.1% and 16.0% of our total sales during those respective periods.

Training and Remuneration

We offer our employees competitive remuneration packages with fringe benefits. We have implemented a number of initiatives and bonus schemes in recent years to enhance the productivity of our employees. We conduct periodic performance reviews for all of our employees and their salaries and bonuses are performance-based.

We place significant emphasis on staff training and development. We invest in continuing education and training programs for our management personnel and other employees with a view to constantly upgrading their skills and knowledge. Our staff training is conducted either internally by our management and various department heads or by external trainers. We want to ensure that our staff remains equipped with the necessary skills to be productive in their respective areas of work as this in turn helps our Group to maintain our competitiveness.

Our Directors believe that the above-mentioned initiatives and training programs have contributed to increased employee productivity and high employee loyalty.

Employee Benefits

In accordance with applicable PRC laws and regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance) and housing funds for our employees. As of the Latest Practicable Date, we have complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws and regulations in all material aspects.

SOCIAL RESPONSIBILITY

We have a strong commitment to our social responsibility and have been participating in various social welfare services in the PRC. We seek to not only provide the highest quality of death care services to our customers, but also to assist people who have passed away in the service of society, whose family cannot afford death care services, or who have made other contributions to society. For example, we offer free or discounted burial services to certain public servants, such as police officers and soldiers who passed away in the line of duty, the needy, such as certain low income families and cancer patients who have spent all their money on cancer treatment before passing away, and other people who have contributed to society, such as people who have donated their bodies for medical and scientific research.

In our cemeteries, we have allocated land to establish museums, monuments and memorial squares for various social purposes. For example, we have established a World War II memorial and a museum in our cemetery in Shanghai, which commemorates soldiers who sacrificed their lives in defense of the country and features the life stories of certain famous persons buried in the cemetery. In Shandong Fu Shou Yuan, we have allocated thousands of sq.m. of land to establish monuments and a memorial square in memory of those soldiers who sacrificed their lives in the World War II and the Chinese Civil War. In Hefei Dashushan Cultural Cemetery, we established the Anhui Province Remains Donors Monument in 2005. The monument was erected in memory of and respect for the dead who donated their bodies for scientific and medical research.

We are also aware of our social responsibility to protect and conserve the environment and provide environmentally friendly and space-saving burial services, such as green burial services where cremains are buried under trees and flower beds or interred into walls in our cemeteries.

Further, as part of our effort to improve the PRC death care services industry and raise the standards of death care services for the Chinese population, we cooperate with relevant PRC governmental entities to provide training sanctioned by the China Funeral Association on death care services to local and international industry participants and organize and host seminars for them. One of our Directors, Wang Jisheng, has played a role in setting the industry's best practices and standards and has conducted training sessions for over 14 years and has taught numerous industry participants. We believe that we have contributed significantly to improving the PRC death care services industry.

We believe that our commitment to the preservation of Chinese values and culture and social responsibility have contributed to the popularity and strength of our brand and our leading position in the industry.

AWARDS AND RECOGNITIONS

Over the years, we have received numerous awards and designations and have obtained recognition from various industry associations, government entities and social communities. The following table sets forth the major awards we have received since the establishment of our operations.

Year of Grant	Awards/Recognition
2005 to 2012	"Civilized unit of Shanghai City" awarded by the People's Government of Shanghai City
December 2008	"China Charitable Award" at the 2008 Annual Chinese Charity Awards
March 2011	"Demonstration Unit in National Funeral Revolution" awarded by the MCA of the PRC
May 2011	"First of May Labor Certificate" awarded by the Shanghai Federation of Trade Unions
January 2012	"Shanghai's Famous Trademark" awarded by the Shanghai Administration for Industry and Commerce
July 2012	"Mass Satisfaction Window" and "Demonstration Unit in Moral Culture Construction in National Civil Affairs System" awarded by the Shanghai Civil Affairs Bureau
January 2013	"Top Ten Most Investment-Worthy Brand in Asia" awarded by the Global Times, the Asia Brand Association and the China Economic Herald

COMPETITION

Our cemeteries and funeral facilities generally serve customers who live within one to one-and-a-half hour's journey from us. Within this localized area, we face competition from cemeteries and funeral facilities that are operated by private companies or government entities located in the area. Most of these cemeteries and funeral homes are operated by government entities, and most of their operations are smaller than ours.

The number of customers that death care services providers are able to attract is largely a function of reputation, quality of service and well-maintained and conveniently located facilities, although other factors such as competitive pricing are also important factors. Due to the importance of reputation, quality of service and well-maintained and conveniently located facilities, new or smaller less well-known death care services providers will generally take a long period of time to increase their customer base.

However, as families tend to return to the same cemetery for multiple generations due to family ties and convenience of future visits, competitors within a localized area may have an advantage over us if a potential customer's family members are already buried in the competitor's cemetery.

For our burial services, we mainly face competition from four other burial services providers in Shanghai, which include Shanghai Songhe Cemetery (上海松鶴墓園), Shanghai Binhai Cemetery (上海濱海古園), Shanghai Haiwan Cemetery (上海海灣寢園) and Shanghai Zhizunyuan Cemetery (上海至尊園). In Hefei, we face competition from Hefei Xiao Shu Shan Cemetery (合肥小蜀山公墓). In Jinan, we face competition from Jinan Yuhanshan Cemetery (濟南玉函山公墓). In Zhengzhou, we have an advantage over our competitors, which are relatively less developed in terms of operations and facilities. In Jinzhou, we are the only burial service provider in the region, one of the key reasons behind our decision to establish our operations in that locality.

For our funeral services, in Chongqing, we compete with Jiangnan Funeral Parlor (江南殯儀館) and Shiqiaopu Funeral Parlor (石橋浦殯儀館). In Shanghai, we face competition from both government owned funeral parlors and privately owned funeral facilities. In Xiamen, Ningbo and Hefei, we face competition from privately owned funeral facilities.

We believe our well-known brand and our efforts in setting benchmarks for the industry's best practices and standards differentiates our services from our competitors in the private sector as well as those operated by government entities and gives us a competitive advantage in the fragmented death care services industry in the PRC, where there is a proliferation of small and mostly less well-known death care services providers. We believe that we currently face limited competition and are well positioned to be a primary consolidator in the death care services industry.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. As of the Latest Practicable Date, we had 34 registered trademarks in the PRC. During the Track Record Period, we submitted 47 trademark applications in the PRC, of which 32 have been granted and 15 are still pending approval. We also submitted four trademark applications in Hong Kong, of which all are still pending approval.

Under PRC law, we have the exclusive right to use a trademark for products and services that we have registered with the PRC Trademark Office of the SAIC. Trademark registration in the PRC is valid for ten years, starting from the day the registration is approved. If we believe that a third party has infringed upon the exclusive right of our registered trademarks, we may, through appropriate administrative and civil procedures, institute proceedings to request an injunction from the relevant authority or resolution of the infringement through consultation. The relevant authority can also impose fines, and confiscate or destroy the infringing products or equipment used to manufacture the infringing products. As at the Latest Practicable Date, we were involved in seven trademark disputes. See "— Legal Proceedings."

We believe that our core trademarks "Fu Shou Yuan", "福壽園" and " " for burial services and "安樂堂" for funeral services are well recognized in the PRC death care services industry. Our " " brand was recognized as "Shanghai Famous Trademark" by the Shanghai Administration for Industry and Commerce in 2012. As our brand name is becoming more recognized in the PRC death care services industry, we are devoting our efforts to increasing and enforcing our intellectual property rights, which are critical to our overall branding strategy and reputation.

During the Track Record Period, we did not experience any infringement of our intellectual property rights, including incidents involving counterfeit or imitation products that had a material adverse effect on our business.

PROPERTIES

Properties Owned by Us

Cemeteries

We own two cemeteries in Shanghai, one in Qingpu and one in Pudong, one cemetery in each of Hefei, Zhengzhou, Jinan and Jinzhou. We have the right to use 17 parcels of land with an aggregate site area of approximately 1,556,744 sq.m. We own a total of 79 buildings on our cemeteries with an aggregate gross floor area of 33,151 sq.m., which principally comprise office buildings, temples, pagodas, museums, shops and staff dormitories.

The following table sets forth a summary of the properties used as cemeteries owned by us.

Location	Site Area	Parcels of Land	G.F.A.	Number of Buildings	Duration of land use rights
	(sq.m.)	(Units)	(sq.m.)	(Units)	
Qingpu, Shanghai	402,034	4	23,667	60	Undetermined[(1)]
Pudong, Shanghai	100,523	1	184	2	Expiring in 2056
Hefei, Anhui	87,702	1	1,338	6	Expiring in 2050
Zhengzhou, Henan	302,191	7	2,913	5	Expiring in 2055
Jinzhou, Liaoning	141,437	3	3,607	3	4,664 sq.m. out of 141,437 sq.m.[(2)] expiring in 2047
Jinan, Shandong	522,857	1	1,442	3	Expiring in 2060
Total	1,556,744	17	33,151	79	

Notes:

(1) The cemetery in Qingpu, Shanghai, Shanghai Fu Shou Yuan, is situated on allocated land that can be used without a definitive term. We have obtained the land use right certificate for this property.

(2) Of the 141,437 sq.m., 50,124 sq.m. and 86,649 sq.m. are allocated land and leased land, respectively. The allocated land can be used without a definitive term and we have obtained the land use right certificate for this property. The lease to the leased property expires in 2034.

In April 2004, we entered into a lease agreement with the Guta branch of the Jinzhou Land and Resources Bureau, to lease 86,649 sq.m. of land at Jinzhou Maoshan Anling over a period of 30 years at a yearly rent of approximately RMB260,000. As advised by our PRC legal advisors, such leased land are not allocated land by nature and are not subject to the new Land Allocation Catalogue. We have the option of renewing the lease for an additional 30 year term on the same terms upon its expiry.

As advised by our PRC legal advisors, under PRC law, the Guta branch of the Jinzhou Land and Resources Bureau is authorized as the local land authority to lease the land to us. We have received the land use right certificate under the lease agreements and are permitted to use the land for cemetery development and operation.

Funeral Facilities

We own a funeral facility in Yuzhong, Chongqing with a gross floor area of 3,556 sq.m. that is built on the land with an aggregate site area of approximately 1,337 sq.m., which is leased to us from the Bureau of Land and Resources of Chongqing Yuzhong district. Pursuant to the lease agreement, the Bureau of Land and Resources of Chongqing Yuzhong district is not permitted to terminate the lease, save for imperative reasons of overriding public interest. As the lease for the land in Yuzhong, Chongqing is due to expire in May 2014, we have communicated with the relevant government authority and was informed that the renewal application should be filed in the first quarter in 2014. We intend to apply to renew this lease in the first quarter of 2014. As advised by our PRC legal advisors, there is no legal impediment under the PRC laws, rules and regulations for the renewal save for reasons of public interest. Further, our Group as the existing tenant may choose to exercise our contractual right under the current lease, to enter into a renewed lease with the Bureau of Land and Resources of Chongqing Yuzhong district under the same terms and conditions.

The following table sets forth a summary of the property used as funeral facility owned by us.

Location	Owner	G.F.A. (sq.m.)	Duration of land use rights
Yuzhong, Chongqing . .	Chongqing Anle Funeral Services	3,556	Expiring in May 2014
Qingpu, Shanghai.	Qingpu Funeral Services	1,280	Undetermined[1]

Notes:

(1) The funeral facility in Qingpu, Shanghai is situated land allocated to us that can be used without a definitive term.

Others

We also own nine properties in Shanghai, Jinzhou and Hefei with a total gross floor area of approximately 1,831.48 sq.m., which are used as ancillary facilities to our business.

Properties Leased by Us

We have leased certain properties in the PRC to operate two of our funeral facilities, office buildings, sales offices, staff dormitories and tombstone carving factory. We lease the land on which our funeral facility in Yuzhong, Chongqing is built, see "— Properties Owned by Us — Funeral Facilities," and the funeral facilities at Sha Ping Ba, Chongqing from Chongqing New Bridge Industrial Co. Ltd. (重慶新橋實業總公司) ("**Chongqing New Bridge**"). This lease expires in January 2018 and Chongqing New Bridge is not permitted to terminate the lease before the end of the lease term. We lease properties at all the locations we currently operate. We leased a total of 40 properties with an aggregate of approximately 8,000 sq.m.

As at June 30, 2013, save for the abovementioned six cemeteries that were our property activities, with each cemetery having a carrying amount above 1% of our total assets, none of our property forming part of our property activities had a carrying amount less than 1% of our total assets. Our Directors confirm that none of these property interests is individually material to us in terms of revenue contribution or rental expense. The highest carrying amount of these property interests was insignificant as at June 30, 2013.

See "— Compliance — Owned Properties and Leased Properties" for non-compliances issues in relation to our owned and leased properties.

Property Interests of our Non-property Activities

Pursuant to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, save for the disclosure set out in "Appendix III — Property Valuation" in this prospectus, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our Group's interests in land or buildings. Pursuant to Rule 5.01A of the Listing Rules, our Directors confirm that the property interests forming our Group's non-property activities had a carrying amount of less than 15% of our Group's total assets as of June 30, 2013.

Our property interests forming our non-property activities include land and buildings located in Chongqing, Shanghai, Jinzhou and Hefei, with a total gross floor area of approximately 5,387.48 sq.m. These properties are mainly used as our funeral facility and ancillary facilities to our business.

Save as disclosed in this prospectus, we have obtained all the required land use rights and building ownership certificates for our funeral facilities as advised by our PRC legal advisors, Watson & Band Law Offices. See "Risk Factors — We have not obtained formal title certificates for some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties." For further details of our properties, see "Property Valuation Report" in Appendix III to this prospectus.

INSURANCE

We currently maintain social welfare insurance in accordance with the relevant PRC laws and regulations, health and personal accident insurance for our employees and insurance that covers our major fixed assets against damage caused by accidents and natural disasters such as fires, earthquakes and floods. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our total expenditures for insurance policy premiums were RMB5.4 million, RMB6.8 million, RMB10.6 million and RMB6.9 million, which accounted for 1.5%, 1.6%, 2.2% and 2.3% of our total sales for those periods, respectively.

Our Directors believe that our existing insurance policies are sufficient to cover the risks that we may be exposed to with regard to the loss or damage sustained over our business operations and claims from our employees, and are comparable to other death care services providers in our industry in the PRC whose business operations and size are similar to us. Although there can be no assurance that such insurance will be sufficient to protect us against all contingencies, we believe that our insurance protection is reasonable in view of the nature and scope of our operations. During the Track Record Period, we did not submit any material insurance claims.

LICENSES AND PERMITS

Our operation is reliant on us possessing the requisite licenses and permits for each of our operating subsidiaries. We have obtained all material licenses and permits required for our operations in the PRC. See "Appendix V — Statutory and General Information — B. Further Information about our Business — 2. Licenses and Permits" in this prospectus for a summary of the aforementioned material licenses and permits.

ENVIRONMENTAL COMPLIANCE

Death care services providers operating funeral facilities and cemeteries in the PRC are subject to a number of environmental laws and regulations, including the rules found in the Catalogue for the Classified Control of Environmental Protection of Construction Projects (建設項目環境影響評價分類管理名錄) and those promulgated under the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例). See "Regulatory Overview — Regulation of the PRC Death Care Services Industry — Environmental Protection and Hygiene Standards."

We believe that we are in compliance in all material respects with applicable PRC environmental laws and regulations except that we did not submit statements and registration forms to the relevant environmental protection bureaus prior to the commencement of construction of some of our cemeteries. For details of the aforesaid non-compliance, see "Compliance — Failure to Submit Statements and Registration Forms to Relevant Environmental Authorities" in this sub-section below. As at the Latest Practicable Date, no material breaches of environmental regulations were identified in the annual inspections conducted by the relevant environmental protection bureaus of our cemeteries and no fine or remedial costs in relation to environmental compliance during the Track Record Period were incurred. We expect our future annual costs in relation to environmental compliance to be no more than RMB100,000, excluding the potential fine of RMB400,000 mentioned below which may be imposed on us.

INTERNAL CONTROL

As part of our continuing effort to enhance our internal control systems, our Directors have evaluated various aspects of our internal control systems, including, among other things, financial reporting procedures, corporate governance, risk assessment, internal audit procedures, treasury and cash management and human resources management. We have also engaged an internal control consultant to conduct a review on the current internal control systems of certain entities of our Group based on an agreed work scope to highlight the areas for improvement. We have implemented the following measures to enhance our internal control systems at the Group level:

(i) at the Group level, our internal control department comprises of Mr. Luk Wai Keung, our Group's chief financial officer, and assisted by Mr. Liu Xinwei (劉欣偉), the deputy general manager of our Group's internal control department. Mr. Luk is responsible for the implementation of our Group's internal control measures. He has more than seven years of experience in overseeing the internal control systems and implementing internal control measures for Hong Kong listed companies and nation-wide operations in the PRC. Mr. Luk was the chief financial officer of Larry Jewellery International Company Limited and Synergis Holdings Limited, the shares of both of which are listed on the Stock Exchange. In addition, he was in charge of the finance operations and established an internal audit department during his tenure with SHV (China) Investment Company Limited. Mr. Luk is assisted by Mr. Liu Xinwei, the deputy general manager of our Group's internal control department (see "Lending to Related Parties and Independent Third Parties — 2. Jiangxi Guoding" for details of Mr. Liu's qualification and experience.) Mr. Luk is also assisted by Mr. Zhu Quanhai (朱泉海), who has been responsible for the implementation of the Group's internal control measures since October 2010. Mr. Zhu has ceased to be the general manager of the internal control department but is retained as a consultant of the Company. Our Company's internal control department reports directly to the audit committee, which comprised three independent non-executive Directors. Our Directors believe that this direct reporting system would offer the independent non-executive Directors an independent assessment of the effectiveness of our Group's internal control systems. See "Directors and Senior Management" section for details of the biography of Mr. Luk;

(ii) we have adopted a set of internal control manual, policies and guidelines (which covers, among others, operations and projects, cash management, treasury management and internal auditing), subject to regular review by the internal control department to cater for the needs of our Group;

(iii) senior officers of different departments of our Group are required to report to our Group's internal control department on a regular basis to review the effectiveness of our internal control measures to ensure that they are properly implemented, discuss any potential compliance and internal control issues and identify necessary remedial actions;

(iv) we have established effective lines of communication pursuant to which department heads or managers can identify potential non-compliance exposures, and report promptly the detected problems to our Group's internal control department such that corrective measures can be formulated and undertaken;

(v) we will provide regular trainings (on a biannual basis) to our employees to raise their awareness on the importance of internal controls and compliance; and

(vi) we will retain an independent internal control consultant to review the internal control systems of our Group after Listing for a period of one year. The internal control consultant will report directly to the audit committee. We will disclose all material findings, if any, by the internal control consultant in our annual and interim reports after Listing.

For details of other internal control measure adopted by the Group, see "Compliance — Measures adopted to prevent future non-compliance" in this section.

LEGAL PROCEEDINGS

Dispute Settlement with China Healthcare

In August 2010, our shareholders, Zhongfu and Anhe, our Director, Wang Jisheng, and our deputy general manager Ge Qiansong on the one hand, and China Healthcare Holdings Limited, a company listed on the Stock Exchange (HKSE stock code: 673) ("**China Healthcare**") and two of its subsidiaries, on the other hand, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**"), pursuant to which our shareholders agreed to sell the equity interest held by us in our principal subsidiaries and associates and certain assets to China Healthcare in exchange for the right to subscribe for convertible notes (convertible into ordinary shares in China Healthcare) to be issued by China Healthcare to our shareholders. Under the Sale and Purchase Agreement, there were a number of conditions precedents which were required to be satisfied. In particular, two conditions precedents had to be satisfied prior to the long-stop date as stipulated in the Sale and Purchase Agreement were: (i) obtaining approvals from PRC government authorities for the establishment of certain joint venture partnerships and WFOEs and for their investments in the funeral service industry under PRC laws and regulations; and (ii) obtaining all approvals for the reorganization as specified in the Sale and Purchase Agreement. The aforesaid conditions precedents were not satisfied because certain PRC government approvals remained outstanding prior to the long-stop date. It was the understanding of the parties to the Sale and Purchase Agreement that Chongqing FSY Industrial would become a WFOE after its equity interest is transferred to Chongqing FSY LLP and the approval from local commerce authority for the equity transfers of Chongqing FSY Industrial was required. The "Foreign Invested Partnership Registration Management Regulations (《外商投資合夥企業登記管理規定 (工商總局47號令)》) was newly issued at the time, and were not properly interpreted by the local commerce authority. As a result, Chongqing FSY Industrial was registered as a domestic company instead of a WFOE. Under the then applicable PRC law, equity transfer of a domestic company was not required to be approved by the local commerce authority. On this basis, the local commerce authority was not able to grant the approval for the equity transfers of Chongqing FSY Industrial as envisaged by the aforementioned conditions precedents. In the circumstances the transaction contemplated in the Sale and Purchase Agreement was not completed. We subsequently completed the registration of Chongqing FSY Industrial as a WFOE and obtained approval for the equity transfers from Zhongfu, Shanghai Zhongfu and Anhe to Chongqing FSY LLP post the long-stop date. As advised by our PRC legal advisors, the reason for not completing the transaction will not have any negative implication on the Company's proposed listing on the Stock Exchange from PRC law perspective, since all the relevant approvals and consents from government authorities required under the aforesaid conditions precedents have now been obtained after the long-stop date and the corporate structure of our Group has complied with all relevant PRC laws and regulations for the purpose of the proposed listing on the Stock Exchange.

In June 2011, China Healthcare and its associates (the "**Claimants**") commenced legal proceedings against, among others, Zhongfu, Anhe, Wang Jisheng and Ge Qiansong (the "**Defendants**") in the Court of First Instance of Hong Kong and a counter-claim was subsequently filed against China Healthcare and its associates. The Claimants alleged that, amongst other things, the Defendants breached their obligations under the Sale and Purchase Agreement. In November 2011, certain Defendants and Shanghai FSY Industry Development considered it was imperative that their reputation and rights be defended before a court of the PRC. Therefore in February 2012, they initiated proceedings, by way of counter-claim filed against, among others, China Healthcare for misrepresentation, fraud and misappropriation of deposit funds in connection with the Sale and Purchase Agreement at Shanghai No. 1 Intermediate People's Court.

In May 2013, the Claimants, the Defendants and Shanghai FSY Industry Development, among others, entered into a settlement agreement (the "**Settlement Agreement**"), pursuant to which the Claimants agreed, among others, (i) to waive their rights to further all claims and bring any new claims against any of the Defendants in connection with the Sale and Purchase Agreement and the transactions contemplated therein in any jurisdiction; and (ii) to pay Shanghai FSY Industry Development a small amount in partial reimbursement of the legal costs incurred by it up to the date of the Settlement Agreement. All claims in connection with the Sale and Purchase Agreement and the transactions contemplated therein were fully settled.

Trademark Disputes

As of the Latest Practicable Date, we were involved in seven trademark disputes. We filed six trademark opposition applications against Sichuan Dalang with the Trademark Office of the State Administration for Industry & Commerce of the PRC ("**Trademark Office**") and were initially awarded judgments in our favor. Pursuant to the six initial judgments awarded, Sichuan Dalang was disallowed to register the relevant disputed trademarks with respect to the provision of burial and funeral services in International Class 45. Sichuan Dalang filed appeals to the Trademark Review and Adjudication Board ("**TARB**") following the initial judgments and the appeals are yet to be heard by the TARB. The following table sets out the details of the six trademark opposition applications:

	Trademark No.	Class	Trademark	Date of Application	Date of Initial Award	Status as of the Latest Practicable Date
1.	7209399	45	福壽園	September 6, 2010	August 21, 2012	Appeal in progress
2.	4787186	45	人文紀念公園	June 23, 2011	May 4, 2011	Appeal in progress
3.	4787187	45	福壽園	September 1, 2011	July 20, 2011	Appeal judgment ruled in our favor
4.	4787185	45	大朗福壽園人生後花園	September 19, 2011	August 3, 2011	Appeal judgment ruled in our favor
5.	7209400	45	大朗福壽園人生後花園	July 12, 2012	May 12, 2012	Appeal in progress
6.	7442967	45	大朗福壽園	July 31, 2012	June 16, 2012	Appeal in progress

On April 16, 2012, we also filed a trademark cancellation application against Chongqing Huaxiayuan for its non-use of the following trademark for three consecutive years. The application is pending for review by the Trademark Office.

	Trademark No.	Class	Trademark	Date of Application	Status as of the Latest Practicable Date
1.	4146465	45	人生花園及圖	April 16, 2012	Application in progress

Based on the above, our Directors are of the view that the above trademark disputes will not have any material impact on our operations and financial position.

Save as disclosed in this prospectus, as of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations. In addition, we have not been involved in any litigation or arbitration proceedings pending or threatened against us or any of our Directors that, individually or in aggregate, could have a material adverse effect on our business, financial condition or results of operations.

COMPLIANCE

FSY Hong Kong

On August 1, 2012, one of our subsidiaries, FSY Hong Kong, inadvertently failed to comply with the regulatory requirements in Hong Kong to lay a profit and loss account at its first annual general meeting under section 122(1) of the Companies Ordinance. FSY Hong Kong is an investment holding company and it had no business or trading during the relevant period. Details of this incident are as follows:

Underlying causes	Legal consequences and financial impact to our Group	Persons responsible for the failure	Remedial measure taken	Measures to prevent future breaches
Owing to the lack of familiarity with the Hong Kong legal requirements in light of FSY Hong Kong's very limited operations in Hong Kong, the directors of FSY Hong Kong were not aware of the statutory obligations.	Nil	Directors of FSY Hong Kong	A court application had been made to the High Court of Hong Kong, and on November 4, 2013, the said Court ruled that FSY Hong Kong did not contravene section 122(1) of the Companies Ordinance.	Our joint company secretaries have been designated to (i) monitor the regulatory compliance regarding company secretarial matters in respect of FSY Hong Kong, and (ii) keep abreast of the requirements under the Companies Ordinance. In addition, our audit committee will oversee the internal control procedures of our Company.

Cash Management of Chongqing Anle Funeral Services

From 2008 to 2010, Chongqing Anle Funeral Services had cash reserve of approximately RMB13.9 million in its bank account earmarked for investment in future projects. Considering the purposes of the cash reserve were designated for investment in the future, the management of Chongqing Anle Funeral Services was under the misapprehension that the amount should be physically set aside in a separate bank account and mistakenly decided not to account for such amount in Chongqing Anle Funeral Services' financial statements. As a result, the audited revenue of Chongqing Anle Funeral Services for the years ended December 31, 2008, 2009 and 2010 was inadvertently understated by approximately RMB4.4 million, RMB4.4 million and RMB5.1 million, respectively. Details of the non-compliance are summarized as follows:

Underlying causes	Legal consequences and financial impact to our Group	Persons responsible for the failure	Remedial measure taken	Measures to prevent future breaches
The incident occurred as a result of lack of a centralized approach to the preparation of our financial statements before 2011, and due to a mishandling by the then finance manager of Chongqing Anle Funeral Services who acted under the direction of the then finance director of Shanghai FSY Industry Development. The mishandling was attributed in part to poor communications between the individuals concerned and in part to their lack of full awareness of the applicable tax rules. Our Group's internal control department was established in 2010. Once the internal control department was in place, we conducted an internal review and unveiled Chongqing Anle Funeral Services' cash management incident in 2011.	Payment for the unpaid tax amounting to RMB3.1 million plus RMB80,000 in penalty. The relevant local tax authority has verbally confirmed that (i) the amount of the tax payable by Chongqing Anle Funeral Services and related late payment have been settled in full; and (ii) it will not impose any penalty against Chongqing Anle Funeral Services in relation to the incident. The relevant local tax authority has also issued a written confirmation to us on July 30, 2013 stating that Chongqing Anle Funeral Services has paid all taxes as required under applicable tax laws and that it has not found the operations of Chongqing Anle Funeral Services to be in violation of such tax laws, as of July 30, 2013.	The then finance director of Shanghai FSY Industry Development and the then Finance Manager of Chongqing Anle Funeral Services.	We notified the relevant local tax authority on January 10, 2012, as soon as the non-compliance was uncovered. We offered to pay the shortfall immediately. However, the payment could only be made after the Chongqing tax authority examined all the issues and completed its internal formalities, and it was only in July 2013 that the Chongqing tax authority formally requested us to settle the outstanding tax payment. We settled the payment on July 26, 2013.	After we became aware of the cash management incident, we immediately performed reviews on all our subsidiaries and no similar incident was identified. Furthermore, our senior management conducted interviews with responsible personnel of our subsidiary and each of subsidiary confirmed that no similar incident had occurred. Our review included the following key procedures: (i) interviews with responsible personnel at the subsidiary level; (ii) cross-check the bank accounts of the subsidiaries against transaction records; and (iii) review the financial statements and transactions records of the subsidiary.

Underlying causes	Legal consequences and financial impact to our Group	Persons responsible for the failure	Remedial measure taken	Measures to prevent future breaches
				We have also put in place a system where all subsidiaries are required to submit weekly report to the Group's finance department providing an update on fund flow now and closely monitor the cash inflow and outflow of all subsidiaries. We also reported the cash management incident to its reporting accountant. Based on these, we believe this is a one-off incident and there are no other similar incidents and the potential liability is accurate. In addition, we have taken a number of steps to enhance our internal control system with an aim to prevent such incident from happening again after Listing. For details, see "Measures Adopted to Prevent Future Non-compliance — Cash management" below. Our remedial measures have been implemented since February, 2011.

Failure to Submit Statements and Registration Forms to the Relevant Environmental Protection Bureaus

Except for Henan Fu Shou Yuan and Shandong Fu Shou Yuan, we did not submit statements and registration forms to the relevant environmental protection bureaus prior to the commencement of construction of our cemeteries. Further, we did not submit statements and registration forms to the relevant environmental protection bureaus prior to the commencement of construction of our funeral facilities in Chongqing. The table below sets forth the underlying causes of such failure, the related operational and financial impact to our Group, persons responsible for the failure and the relevant remedial measures:

Underlying causes	Operational and financial impact to, and aggregate potential penalties on, our Group	Persons responsible for the failure	Remedial measures
Lack of legal knowledge on the part of the responsible employees.	According to the Administrative Regulations on the Environment Protection of Construction Projects, competent environment protection authorities at its own discretion may order the entity which does not comply with the said regulation to stop the construction, restore the original state within the given time period, and may impose a fine of less than RMB 100,000. If we are fined by the relevant governmental authorities, the potential penalties that we may become liable for in respect of our four cemeteries and two funeral facilities with which statements and registration forms have not been submitted amount to RMB600,000. As advised by our PRC legal advisors, the likelihood of our Group being imposed such penalties is low.	Head of Engineering Department of each of Shanghai FSY Industry Development, Shanghai Nanyuan, Hefei Dashushan Co, Jinzhou Maoshan Anling and Chongqing Anle Services.	We have not been requested to file the outstanding statements and registration forms to the relevant environmental protection bureaus. We will maintain regular communications with the relevant environmental protection bureaus going forward due to the fact that the failure to submit such statements and registration forms was not regarded as a material breach of PRC environmental laws and regulations. In case the relevant environmental protection bureaus require us to submit the outstanding statements and registration forms in the future, we will comply with the request and disclose such request in our annual and/or interim reports after Listing. We have implemented internal control measures to ensure that all legal requirements are complied with before commencement of any construction. For further details, see "Measure adopted to prevent future non-compliance — Failure to submit statements and registration forms to relevant environmental protection bureaus". Our remedial measures have been implemented since mid 2013.

We believe the above omissions to submit statements and registration forms are not material to our operations. We have consulted and obtained confirmation letters from the environmental protection bureaus of Shanghai, Shandong, Hefei, Liaoning, Henan and Chongqing confirming that our Group has complied with all applicable environmental laws and regulations in the PRC. For details of these confirmation letters, see "Statutory and General Information — B. Further Information about our Business — Confirmation Letters from Relevant Environmental Protection Bureaus" of this prospectus. We had provided full details of the non-compliance incidents to the relevant environmental bureaus in May 2013, before the confirmation letters were issued. The decisions made by the relevant environmental bureaus to issue such confirmation letters were on a fully informed basis. We believe that the relevant environmental bureaus issued the confirmation letters on the bases that, (i) as opposed to some other industries, the business that our Group operates is not one that is prone to cause material pollution; (ii) there has not been any material pollution caused by us in the relevant periods; (iii) the failures to submit statements and registration forms are not regarded as a material breach of PRC environmental laws and regulations; and (iv) the environmental bureaus have not received any complaints from other third parties in this regard. Further, based on our verbal consultations with the relevant environmental protection bureaus in May 2013, the relevant environmental protection bureaus confirmed that we were not required to file the outstanding statements and registration forms. See "Remedial measures" in this sub-section above for the remedial measures we have taken to rectify these failures.

Our PRC legal advisor is of the view that the abovementioned environmental protection bureaus are competent authorities for supervising and managing environmental protection affairs in the respective regions in which we have operations in accordance with the relevant PRC laws and regulations, and have the authority to approve environmental issues relating to the construction projects in which we are involved and that these government environmental bureaus have the necessary authority to give these confirmations. As advised by our PRC legal advisor, based on the confirmations from the competent environmental protection bureaus, (i) we have complied with all material PRC environmental laws and regulations and the possibility that a fine will be imposed on us by the environmental authorities is low; and (ii) the operational and financial impact of the previous failure to submit statements and registration forms to the relevant authorities prior to the commencement of construction would be insignificant.

Owned Properties and Leased Properties

Owned Properties Without Construction Permits, Construction Work Planning Permits and/or Building Ownership Certificates

There are two buildings in each of Shanghai Fu Shou Yuan and Haigang Fu Shou Yuan, and certain properties in each of Shandong Fu Shou Yuan and Henan Fu Shou Yuan, with a total gross floor area of approximately 4,709 sq.m. that were built without obtaining the relevant construction permits, construction work planning permits and/or building ownership certificates. These buildings are generally used as ancillary facilities to our business, such as reception areas and staff dormitories. The table below sets forth details of those title defects, and related internal control measures in obtaining the construction permits, construction work planning permits and/or building ownership certificates to ensure future compliance:

	Location/ ownership	Number of buildings and G.F.A.	Summary of title defect and usage of the properties	Underlying causes of non-compliance and person(s) responsible	Maximum aggregated financial and operational impact to our Group	Remedial measures taken/to be taken
1.	Qingpu, Shanghai; owned by Shanghai FSY Industry Development	Two buildings located within the cemetery area with a total gross floor area of approximately 170 sq.m.	Construction work planning permits and building ownership certificates were not/have not been obtained. These buildings are occupied by our flower shop and washroom facilities.	The buildings are temporary and are ancillary to our Group's business. The manager of the engineering and Greenery Department of Shanghai FSY Industry Development is responsible for obtaining the required permits for buildings in this location.	The maximum potential fine is estimated to be approximately RMB20,000[(1)&(3)]. As advised by our PRC legal advisors, the likelihood of our Group being imposed such fine is low. If we are required by the relevant government authorities to demolish the buildings, we estimate that the current cost for demolition of the relevant properties not to exceed approximately RMB17,000[(2)&(3)]. In that event, we do not intend to relocate to alternative premises for Shanghai FSY Industry Development as these are ancillary facilities with relatively small gross floor area.	We have established a channel of communications with the relevant government authorities in relation to the application for the outstanding construction work planning permits and building ownership certificates since May 2013. We expect to file application for the outstanding permits and certificates in the first quarter of 2014. If we are unable to obtain the outstanding construction work planning permits and building ownership certificates within one year after listing, we will demolish the relevant buildings. We will disclose any update on the application status in our annual and interim reports after Listing. We will take immediate steps to demolish the buildings if we are required by the relevant government authorities to do so. Our remedial measures have been implemented since mid 2013.

	Location/ ownership	Number of buildings and G.F.A.	Summary of title defect and usage of the properties	Underlying causes of non-compliance and person(s) responsible	Maximum aggregated financial and operational impact to our Group	Remedial measures taken/to be taken
2.	Jinan, Shandong; owned by Shandong FSY Development	Three buildings located within the cemetery area with a total gross floor area of approximately 1,442 sq.m.	Construction permits were not/have not been obtained. These buildings are used as a reception area for our visitors and as security, power and pump facilities.	At the relevant time when the relevant properties of Shandong FSY Development were being built, we were a minority shareholder of Shandong FSY Development and we did not have control over the application for the necessary permits and/or certificates for the buildings. The head of the Engineering Department of Shandong FSY Development is responsible for obtaining the required permits in this location.	The maximum potential fine to Shandong FSY Development is estimated to be approximately RMB300,000[(1)&(3)]. As advised by our PRC legal advisors, the likelihood of our Group being imposed such fine is low. We applied to the relevant government authorities for the outstanding construction permits in May 2013. If the permits and/ or certificates are not granted, and if we are required by the relevant government authorities to demolish the buildings, we estimate that (i) the maximum cost for demolition of the relevant properties will amount to approximately RMB144,200[(2)&(3)], and (ii) the cost for relocation to alternative premises for Shandong FSY Development will amount to approximately RMB210,000[(3)] per annum, which we have estimated with reference to the market price for rental of similar premises nearby for relocation purposes, and we have also estimated that such relocation would take approximately one to two years.	We have established a channel of communications with the relevant government authorities in relation to the application of the outstanding construction permits since April 2013. On July 30, 2013, the People's Government of Changqing District, Jinan City in Shandong Province issued a written confirmation confirmed that they would not seek to demolish[(4)] the three buildings before we obtain the relevant permits. We expect to obtain the construction permits within six months from Listing based on the written confirmation issued by the People's Government of Changqing District, Jinan City in Shandong Province and our verbal communication with such government authority that they will assist us in processing the request for the relevant permits and certificates. If we are unable to obtain the outstanding construction work planning permits and building ownership certificates within one year after listing, we will demolish the relevant buildings. Our remedial measures have been implemented since mid 2013. We will disclose any update of the application status of the construction permits in our annual and interim reports after Listing.

	Location/ ownership	Number of buildings and G.F.A.	Summary of title defect and usage of the properties	Underlying causes of non-compliance and person(s) responsible	Maximum aggregated financial and operational impact to our Group	Remedial measures taken/to be taken
3.	Zhengzhou, Henan; owned by Henan FSY Industrial	Five buildings located within the cemetery area with a total gross floor area of approximately 2,913 sq.m.	Construction work planning permits and building ownership certificates were not/have not been obtained. These buildings are used as offices and ancillary facilities, such as a washroom, tuck-shop facilities and a Buddhism praying hall.	The buildings were acquired from third parties through company share acquisitions, and such third parties had not obtained the relevant construction work planning permits and/ or building ownership certificates. The manager of the Engineering Department and head of the Engineering Department of Henan FSY Industrial are jointly responsible for obtaining the required permits in this location.	The maximum potential fine to Henan FSY Industrial is estimated to be approximately RMB380,000(1)&(3). As advised by our PRC legal advisors, the likelihood of our Group being imposed such fine is low. If we are required by the relevant government authorities to demolish the buildings, we estimate that (i) the maximum cost for demolition of the relevant properties will amount to approximately RMB291,300(2)&(3), and (ii) the cost of relocating these facilities to alternative premises will amount to approximately RMB410,000(3) per annum, which we have estimated with reference to the market price for rental of similar premises nearby for relocation purposes, and such relocation will take approximately one to two years.	Based on the verbal confirmation from the relevant government authority in Zhengzhou, we understand that it has implemented a scheme to demolish buildings in certain areas in Zhengzhou due to the government plan of expanding roads of Longhu Town, and the aforesaid buildings owned by us are located in such areas. We will be required to demolish these buildings at the request of the relevant government authority. There is no indication from the relevant government authority on timing of the demolish request. Nevertheless, we are currently constructing new buildings in proximate areas for the purpose of relocating the aforementioned ancillary facility nearby. Relocation can take place shortly after completion of the construction of these new buildings without material obstruction to our business. To the knowledge of the Company, the demolishment of the building under the demolish plan have not affected and will not affect other area of the Group's cemetery. Our remedial measures have been implemented since mid 2013.

	Location/ ownership	Number of buildings and G.F.A.	Summary of title defect and usage of the properties	Underlying causes of non-compliance and person(s) responsible	Maximum aggregated financial and operational impact to our Group	Remedial measures taken/to be taken
4.	Pudong, Shanghai; owned by Shanghai Nanyuan	Two buildings located within the cemetery area with a total gross floor area of approximately 184 sq.m.	Construction permits and building ownership certificates were not/have not been obtained. These buildings are occupied for our ancillary facilities, such as a washroom and security facilities.	The buildings were acquired from third parties through company share acquisitions, and such third parties had not obtained the relevant construction permits and/ or building ownership certificates. The manager of the Engineering Department of Shanghai Nanyuan is responsible for obtaining the required permits in this location.	The maximum potential fine to Shanghai Nanyuan is estimated to be approximately RMB110,000 [(1)&(3)]. As advised by our PRC legal advisors, the likelihood of our Group being imposed such fine is low. If we are required by the relevant government authorities to demolish the buildings, we estimated the current cost for demolition of the relevant properties not to exceed approximately RMB18,400[(2)&(3)]. We do not intend to relocate to alternative premises as these ancillary facilities have a relatively small gross floor area.	We have established a channel of communications with the relevant government authorities in relation to the application of the outstanding construction permits and building ownership certificates since May 2013. We expect to file application for the outstanding permits and certificates in the first quarter of 2014. If we are unable to obtain the outstanding construction permits and building ownership certificates within one year after listing, we will demolish the relevant buildings. We will disclose any update of the application status in our annual and interim reports after Listing. We will take immediate steps to demolish the buildings if we are required by the relevant government authorities to do so. Our remedial measures have been implemented since mid 2013.

Notes:

(1) Our PRC legal advisors, Watson & Band Law Offices, have advised us that competent PRC governmental authorities have the power to order demolition of these buildings and may impose a maximum fine of 10% of the total construction cost of the buildings.

(2) The maximum cost for demolition of the relevant properties has been estimated with reference to the maximum market price for demolition of buildings in nearby places, and it will take approximately one month for the demolition of the relevant building.

(3) We believe that there will be no material adverse impact to our Group's business from such cost.

(4) Our PRC legal advisors also confirmed that the People's Government in Changqing District, Jinan City in Shandong Province, an authority administered by the People's Government of Jinan City, is a competent authority to provide confirmation in this respect.

(5) We will maintain regular communications with the relevant government authorities to evaluate any risk of enforcement regarding the above unauthorized buildings. We will provide updates in our interim and annual reports after Listing.

The buildings with title defects described above are occupied for office and/or ancillary facilities that are not critical to the delivery of our burial and funeral services. No leases have been entered into in relation to these properties. Further, there are alternative buildings nearby available to which we can relocate our ancillary facilities if needed as our operations are not dependent on such buildings.

Our aggregated estimated demolishment costs amounted to approximately RMB470,000 and relocation costs amounted to approximately RMB620,000, which are to be funded by our internally generated cash. On this basis, our Directors are of the view that these buildings becoming unavailable as a result of requirements by the government to demolish or vacate them would not have a material adverse effect on our business, financial condition or results of operations.

Each of Shanghai FSY Industry Development and Shandong FSY Development engaged qualified architects and construction firms to design and construct the buildings concerned to meet all applicable construction and safety standards. As for the buildings acquired by Henan FSY Industrial and Shanghai Nanyuan, our Group has commissioned qualified architects to carry out inspection to ensure that the buildings meet all applicable standards. As at the Latest Practicable Date, we are unaware of any safety issue relating to the aforesaid buildings. As advised by our PRC legal advisors, Watson and Band Law Offices, properties with title defects such as those described above are not transferrable and cannot be used as security for mortgages. We have no plan to sell or use these properties as security for mortgages. In addition, there would be no difference in land cost if the above properties did not have defective titles, since the buildings described above were erected on self-owned lands which have been obtained by our Group by way of allocation or grant.

We have applied to the relevant government authorities for the outstanding construction permits, construction work planning permits and/or building ownership certificates. There is no assurance that the relevant government authorities will approve our applications and grant us the relevant construction permits, construction work planning permits and/or building ownership certificates. There is also no assurance that such permits or certificates will be issued within any required time limits. In any event, our Directors have confirmed that any relocation and/or demolition of the above properties will not materially and adversely affect our business, financial condition and results of operations.

Leased Properties

In relation to our leased properties, we have entered 16 leases with an aggregate gross floor area of approximately 2,813 sq.m. which have not been registered with the relevant government authorities. These leased properties are used as ancillary facilities to our business, such as offices, carparks and staff dormitories. As advised by our PRC legal advisors, Watson & Band Law Offices, despite the leases not having been registered with the relevant government authorities, they remain valid and legal under current PRC laws and regulations, and we will not be required to vacate these leased properties. Furthermore, in the event that the relevant government authorities impose a fine on us due to these leases not being registered, the maximum amount of the fine for each of the failure to register will be RMB10,000. Given that there are 16 leases which have not been registered with the relevant government authorities, the maximum amount of the fine which may impose to our Group will be RMB160,000. As advised by our PRC legal advisors, the likelihood of our Group being imposed such fine is low. We consider that these leased properties are not material to our business operation and the potential fine, if imposed, will not materially and adversely affect our Group's business, financial condition and results of operations. Our remedial measures have been implemented since mid 2013. These non-compliances are caused by our Directors' and responsible personnel's lack of awareness of the requirements under the applicable laws and that the due diligence steps undertaken by us to ensure all our leased properties have been registered with the relevant government authorities were not sufficiently thorough.

The lessors of 13 buildings with an aggregate gross floor area of approximately 229 sq.m. we leased, including one leased by Chongqing Fuyuan, seven leased by Shanghai FSY Industry Development, three leased by Henan FSY Industrial, one leased by Shanghai Nanyuan and one leased by Ningbo Yongyi, do not possess relevant title deeds. These buildings are generally used for ancillary facilities for our business, such as offices and carparks. As advised by our PRC legal advisors, such leases may be deemed invalid and unenforceable and we may be required by the relevant government authorities to vacate these leased properties; however, we will not be subject to any administrative penalties. As advised by our PRC legal advisors, for the above mentioned leased properties which the lessors do not possess relevant title deeds, we may be required to vacate these leased properties. As these leased properties are used for ancillary facilities to our business, our Directors do not foresee any difficulties in identifying suitable alternative sites nearby at comparable rental cost should these lease agreements and assignments become invalid and our Group be required to vacate from these leased properties. Further, we consider that these leased properties are not material to our business operation. In the event we were required to vacate from all of these leased properties, we will move out as soon as we have completed all the necessary lease procedures for the new leases and renovation. Our Directors do not foresee any such relocations of our ancillary facilities will have material impact on our daily business operation. The estimated relocation costs (including changes in rent of approximately RMB3,000 per month, one-off expenses of approximately RMB865,000 for relocation of office equipment and renovation) for all of these leased properties are approximately RMB868,000, and each of these relocations might take approximately three months (including searching for new premises), which we consider to have no material impact on our business operation and financial condition.

In order to rectify the above non-compliance, we will request the relevant lessors to obtain the necessary titles or approvals for the relevant leased properties before the expiry of these leases. We will relocate to other properties upon expiry of such leases if the necessary titles or approvals have not been obtained by then. Specifically, toward the expiry of such leases, we will take steps to assess the prospect of the lessors obtaining the necessary titles or approval and identify potential sites for relocation if necessary. In addition, if we have acquired suitable premises in the future, we will consider relocating to the new premises that we own. We will provide updates regarding the status of these remedial plans in our interim and annual reports after Listing.

As of the Latest Practicable Date, we had not been subject to any material claim arising from or in connection with any defect in our land titles or our leasehold interests in any of our leased properties. As advised by our PRC legal advisors, Watson & Band Law Offices, save as disclosed in this prospectus, we have obtained all of the required land use rights and building ownership certificates for all parcels of land and the buildings on the parcels of land, respectively. We have implemented a number of measures to enhance the effectiveness of our internal control procedures to avoid future recurrence of the above non-compliance incidents. For details, see "Measures Adopted to Prevent Future Non-compliances — (ii) Owned and leased properties".

Lending to Related Parties and Independent Third Parties

During the Track Record Period, we made several lending to related parties and independent third parties. According to the Lending General Provisions issued by the PBOC (中國人民銀行貸款通則) (the "**Lending General Provisions**"), a "lender" must be a financial institution. Enterprises engaged in lending and borrowing activities between themselves may be subject to a fine of one to five times the income gained in violation of the Lending General Provisions. As we are not a financial institution, our lending to related parties and independent third parties was in violation of the Lending General Provisions.

The table below sets forth details of such lending:

	Identity of borrower	Details of the loans	Reasons for the loans	Repayment status of the loan
1.	Jinzhou City Cemetery Management Department (錦州市公墓管理處) ("**JCCMD**"), the then non-controlling shareholder of Jinzhou Maoshan Anling and the government authority overseeing cemeteries in Jinzhou City	Loans in the amount of RMB6.9 million were made by Jinzhou Maoshan Anling to JCCMD. These loans were non-interest bearing.	The decision to advance the loans to JCCMD was not made by our current management. The loans were made to JCCMD by the then management of Jinzhou Maoshan Anling prior to our acquisition of Jinzhou Maoshan Anling in May 2012, and therefore the making of such loans was not under our control. The current management of our Group realizes and acknowledges the significance of legal compliance, and we have been liaising with JCCMD for the settlement of the loans after our acquisition of Jinzhou Maoshan Anling.	RMB3.4 million and RMB1 million of the loans were settled in April 2013 and September 2013, respectively. The remaining loan amount of RMB2.5 million was fully settled in November 2013. Our remedial measures have been implemented since second quarter 2013.

	Identity of borrower	Details of the loans	Reasons for the loans	Repayment status of the loan
2.	Jiangxi Guoding Yuanman Co., Ltd. (江西國鼎圓滿股份有限公司) ("**Jiangxi Guoding**"), an independent cemetery operator in Nanchang, operating a cemetery located in Nanchang covering an area of approximately 100 acres.	A loan agreement was entered into between us and Jiangxi Guoding in January 2013 pursuant to which short-term loans in the amount of RMB38.0 million were lent by our Group. These short-term loans were non-interest bearing. The loans were approved by our then investment committee, comprising the general manager of our Group, Mr. Wang Jisheng(1), the senior deputy general manager of our Group responsible for our sales and marketing, Mr. Ge Qiansong(2), the general manager of our Group's internal control department, Mr. Zhu Quanhai(3), the deputy general manager of our Group's internal control department, Mr. Liu Xinwei(4) and the general manager of our Group's finance department, Mr. Zhang Shiyao(5).	At that time, we, being a leading player in the PRC death care services industry, were interested in entering the Jiangxi market and were in discussion with the local government in Nanchang for potential opportunities. During the process, the local government introduced us to Jiangxi Guoding, which was in financial difficulties in 2012. We were attracted by the cemetery owned by Jiangxi Guoding and considered it as a target that could potentially be acquired or consolidated by us. We provided the short-term loans to assist Jiangxi Guoding. in an effort to establish our positive corporate image and expand our branding influence in the local death care service industry in Nanchang, establish a relationship and mutual trust with this local death care services provider and explore business opportunities in the Nanchang market through possible cooperation with this service provider. In addition, we considered that the financial difficulties faced by Jiangxi Guoding might provide a good reason for potential strategic discussions, and becoming a creditor to Jiangxi Guoding appeared to be an opportunity for us then to be able to access and start engaging with Jiangxi Guoding for potential discussions of acquisitions in its assets later on. Therefore, we decided to make the loans to Jiangxi Guoding to help ease its financial pressure. In the end, we chose not to pursue any acquisition plan with Jiangxi Guoding given we have found alternative access into the Jiangxi market. See "Land Acquisition for Cemetery Development" above.	The loans were paid off in full in September 2013. Our remedial measures have been implemented since second quarter 2013.

Notes:

(1) For details of the qualification and experience of the general manager of our Group, see "Directors and Senior Management".

(2) For details of the qualification and experience of the senior deputy general manager of our Group responsible for our sales and marketing, see "Directors and Senior Management".

(3) The general manager of our Group's internal control department has been a registered certified public accountant in the PRC since 1994. He is also a member of the Chinese Institute of Certified Public Accountants and Shanghai City Accounting Association. He has over 30 years of experience in financial management and more than 10 years of experience in the internal control of companies.

(4) The deputy general manager of our Group's internal control department is a certified public accountant in the PRC. The deputy general manager of our Group's finance department was qualified as a certified internal auditor by the Institute of Internal Auditors in November 2010. He had worked as a senior accountant, audit manager, finance manager, chief financial officer and chief investment officer in other PRC companies, and was awarded the degree of doctor of economics in industrial economics by the Shanghai Academy of Social Sciences in June 2009.

(5) The general manager of our Group's finance department joined our Group in 2009 and was given the title of chief accountant of our Company in 2011 up to his retirement in February 2013.

	Identity of borrower	Details of the loans	Reasons for the loans	Repayment status of the loan
3.	Shanghai Jinfu Waitan Properties Co., Ltd. (上海金福外灘置業有限公司) ("**Jinfu Waitan**"), an independent third party	In August 2010, our indirect wholly-owned subsidiaries, Chongqing Anle Funeral Services and Chongqing Anle Services, each entered into a working capital loan agreement with Chongqing Yuzhong District Zhonghan Xinye Small Amount Credit Co., Ltd. (重慶市渝中區中漢信業小額貸款股份有限公司) ("**Chongqing Zhonghan Xinye**"), an independent third party and a financial institution which focuses on loans for small amounts, pursuant to which Chongqing Anle Funeral Services and Chongqing Anle Services each borrowed RMB7.0 million from Chongqing Zhonghan Xinye guaranteed by Zhongfu, with a term of one year and an interest rate of 18% per annum and renewed such loans annually until 2012. Chongqing Anle Funeral Services and Chongqing Anle Services each subsequently entered into a working capital loan agreement with Jinfu Waitan in August 2010 which were also renewed annually until 2012, pursuant to which Chongqing Anle Funeral Services and Chongqing Anle Services each lent the same amount to Jinfu Waitan, with substantially the same terms (including interest rate) as the original set of loan agreements. Each of Chongqing Zhonghan Xinye and Chongqing Anle Services, and Chongqing Anle Services and Jinfu Waitan, further renewed the loans between them in August 2012. The balance was unsecured and repayable on demand. The loans were approved by our then Investment Committee, comprising the general manager of our Group[1], the senior deputy general manager of our Group responsible for our sales and marketing[2], the deputy general manager of our Group's internal control department[3], and the general manager[4] and deputy general manager[5] of our Group's finance department.	Back in 2010, our Group intended to cooperate with Jinfu Waitan, a property development company, to acquire a piece of land for a new cemetery and develop burial services business in Chongqing. We cooperated with Jinfu Waitan in view of its property development experience and capabilities and its local relationship in Chongqing, which we believe could provide a positive impact on the establishment of our potential burial services business in Chongqing and strengthen our chances of obtaining the piece of land for the potential cemetery. Jinfu Waitan required capital for future business cooperation with our Group and Chongqing Zhonghan Xinye intended to assist Jinfu Waitan in this regard. Due to Chongqing Zhonghan Xinye's internal restriction requiring it to make loans only to companies in the Chongqing area, it was unable to provide loans directly to Jinfu Waitan, a company registered in Shanghai. Considering Jinfu Waitan's local relationship in Chongqing which we believe would enhance the prospect of our cooperation with Jinfu Waitan in acquiring the piece of land for our potential business operations, we facilitated Chongqing Zhonghan Xinye to make loans to Jinfu Waitan. We borrowed funds from Chongqing Zhonghan Xinye and loaned them to Jinfu Waitan at the same interest rate. We did not derive any profit from this arrangement. Our cooperation with Jinfu Waitan did not materialize since we failed to acquire the relevant land in Chongqing. Chongqing Zhonghan Xinye, at the time when the loan agreements were entered into, was aware of the fact that we would on-lend its loans to Jinfu Waitan. The subsequent lending of the funds by Chongqing Anle Funeral Services to Jinfu Waitan did not violate the permitted use of the loans from Chongqing Zhonghan Xinye, since consent for such subsequent lending had been obtained from Chongqing Zhonghan Xinye. In addition, as advised by our PRC legal advisors, the above back-to-back lending and borrowing arrangements with Chongqing Zhonghan Xinye and Jinfu Waitan did not violate any local laws and regulations in Chongqing.	The loans between Chongqing Zhonghan Xinye and Chongqing Anle Funeral Services, and between Chongqing Anle Funeral Services and Jinfu Waitan were paid off in August 2012. Roughly 50% of the loans between Chongqing Zhonghan Xinye and Chongqing Anle Services, and between Chongqing Anle Services and Jinfu Waitan were paid off in February 2013, and the remaining amounts between these parties were paid off in July 2013. Our remedial measures have been implemented since second quarter 2013.

Notes:

(1) For details of the qualification and experience of the general manager of our Group, see "Directors and Senior Management".

(2) For details of the qualification and experience of the senior deputy general manager of our Group responsible for our sales and marketing, see "Directors and Senior Management".

(3) The deputy general manager of our Group's internal control department joined our Group in 2009 and was given the title of chief accountant of our Company in 2011 up to his retirement in February 2013.

(4) The general manager of our Group's finance department is a certified public accountant of the PRC. He was hired by Zhongfu as the deputy chief accountant, and had worked as the chief accountant, finance director and global capital operation manager in other PRC companies.

(5) The deputy general manager of our Group's finance department is a certified public accountant of the PRC, and he had worked as a manager and accountant in the finance departments of other PRC companies.

	Identity of borrower	Details of the loans	Reasons for the loans	Repayment status of the loan
4.	Zhongfu, our Controlling Shareholder	In November 2011 and January 2012, Shanghai FSY Industry Development made loans in the amount of RMB30 million and RMB7.9 million, respectively, to Zhongfu. The interest for the loans were charged based on the annual lending interest rate published by the PBOC of 6% per annum. The maximum potential penalty is approximately RMB14.1 million which is equivalent to five times of the aggregate interest income. As advised by our PRC legal advisors, the likelihood of our Group being imposed such penalty is low. The loans were approved by our then Investment Committee, comprising the general manager of our Group(1), the senior deputy general manager of our Group responsible for our sales and marketing(2), the deputy general manager of our Group's internal control department(3), and the general manager(4) and deputy general manager(5) of our Group's finance department.	At the time of the making of the loans, Zhongfu was involved in a legal proceeding with China Healthcare in connection with the breach of the Sale and Purchase Agreement in relation to the legal proceeding involving China Healthcare. We have authorized Zhongfu to handle the legal proceeding on our behalf. While the legal proceeding was ongoing, it was the intention of Zhongfu and China Healthcare to settle the legal proceeding and Zhongfu needs to ensure that it has sufficient funding to return the cash consideration paid to Zhongfu by China Healthcare pursuant to the Sale and Purchase Agreement. On that basis, we and our then shareholders considered that it is necessary to ensure Zhongfu maintains sufficient funds to satisfy the legal proceeding requirement. As such, we decided to grant the loans to Zhongfu and consents were given by all our then shareholders. The loans to Zhongfu during the Track Record Period did not constitute financial assistance to Zhongfu.	RMB30 million was paid off in August 2012, and the remaining RMB7.9 million was paid off in September, 2013. As the loans were paid off, we believe the chance that penalties will be imposed on us is deminimis. Our remedial measures have been implemented since second quarter 2013. Further, we will initiate discussion with the Shanghai branch of PBOC before Listing on whether they will impose a penalty on us with regard to this non-compliance incident. We will provide updates on the discussion results in our interim and annual reports after Listing.

Notes:

(1) For details of the qualification and experience of the general manager of our Group, see "Directors and Senior Management".

(2) For details of the qualification and experience of the senior deputy general manager of our Group responsible for our sales and marketing, see "Directors and Senior Management".

(3) The deputy general manager of our Group's internal control department joined our Group in 2009 and was given the title of chief accountant of our Company in 2011 up to his retirement in February 2013.

(4) The general manager of our Group's finance department is a certified public accountant of the PRC. He was hired by Zhongfu as the deputy chief accountant, and had worked as the chief accountant, finance director and global capital operation manager in other PRC companies.

(5) The deputy general manager of our Group's finance department is a certified public accountant of the PRC, and he had worked as a manager and accountant in the finance departments of other PRC companies.

Since we have already rectified the above non-compliance in relation to lending to related parties and independent third parties by paying off all the loans, our PRC advisors have advised us that the risk that a fine or other potential liabilities will be imposed on us is negligible. We have implemented a number of internal control procedures to prevent recurrence of the above non-compliance incidents. For details, see "— Measures Adopted to Prevent Future Non-compliance — (iv) Future lending to third parties and future borrowing" and "Measures Adopted to Prevent Future Non-compliance — (v) Future business/asset acquisitions" below. Except for the loans described above, all loans disclosed in this prospectus to which our Group is a party are in compliance with the Lending General Provisions.

Our Directors, as advised by our PRC legal advisors, Watson & Band Law Offices, confirm that as at the Latest Practicable Date, our Group was in compliance with all relevant PRC laws and regulations in all material respects and had obtained all material permits and licenses required for the Group's operation in the PRC.

The maximum aggregated amount of potential penalties for all the non-compliances set out above is estimated to be approximately RMB15.67 million.

Measures Adopted to Prevent Future Non-compliance

Our Directors confirmed that they had no intention to breach any applicable laws at the time when the above non-compliance incidents occurred. The non-compliance incidents were caused by our Directors' lack of awareness of the requirements under the applicable laws. Our Directors took each incident seriously and are committed to put in place enhanced measures to prevent no similar incidents would occur going forward. In addition, our Directors have attended two training sessions in 2013 to strengthen their knowledge on, among others, the Listing Rules. We have put in place at the Group level, in addition to those measures set out in the "Internal Control" subsection above, the following measures to prevent future non-compliance:

- at the Group level, the key member of our legal department comprises of an experienced PRC qualified lawyer, Mr. Yu Haigang, who joined us in October 2013 as our Group's in-house counsel and headed the Group's legal department. He is a PRC qualified lawyer with more than 10 years PRC legal experience and has worked at a number of PRC enterprises as in-house legal counsel responsible for legal and compliance matters. His role is to oversee the legal and compliance matters of our Group. Our Group's legal department reports directly to the compliance committee of the Company, which comprised all independent non-executive Directors. Mr. Yu will work closely with the internal control department of our Group to provide recommendation to ensure that potential breach of applicable law or non-compliance issues can be effectively prevented, detected and tackled at the outset. Our Directors believe that the engagement of an in-house legal counsel and having him reporting directly to the Board could help ensure our Group's compliance with all applicable PRC laws and regulations going forward;

- we have appointed, Ms. Wu Jianwei as our independent non-executive Director, who has extensive PRC law experience. Ms. Wu was appointed as the judge of the Supreme People's Court (fourth-level senior judge) by the Standing Committee of the National People's Congress and is a qualified PRC lawyer with more than 15 years PRC legal experience. Ms. Wu was an executive general manager of the general manager office and the compliance department, the chief compliance officer and an executive general manager of CITIC Securities Co., Ltd. from July 2006 to November 2009, November 2009 to June 2012, and June 2012 to May 2013, respectively. Ms. Wu is also the chairman of the compliance committee of our Board. Our Directors believe that the appointment of Ms. Wu would enhance the legal and compliance awareness of our Board and her extensive PRC legal experience could assist in the monitoring of the Group's legal and compliance aspects. For further details of Ms. Wu's biography, see "Directors and Senior Management" section of this prospectus;

- we have established a compliance committee of our Board which comprises all the independent non-executive Directors. Our compliance committee is responsible for reviewing the legal and compliance aspects of our Group to ensure that our Group is in compliance with all applicable laws and regulations. The compliance committee is authorized to consult external legal counsel at the cost of our Group. All material findings by the compliance committee will be disclosed in the annual and interim reports of our Company after Listing;

- we have established a new investment committee which comprises six members, namely, the general manager of our Group, the senior deputy general manager of our Group responsible for our sales and marketing, senior deputy general manager and joint company secretary, the chief financial officer of our Group, the in-house PRC legal counsel of our Group, and the deputy general manager of our Group's planning and financial management center. Our Directors believe that the inclusion of our Group's in-house PRC counsel and chief financial officer could enhance the legal and internal control awareness of the investment committee and could effectively prevent recurrence of non-compliance incidents, such as lending to third party, going forward;

- we will retain PRC legal advisors to review and advise on our Group's regulatory compliance in respect of relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our Group's business operations and internal control measures in the PRC;

- we will retain Hong Kong legal advisers to review and advise on our Group's regulatory compliance in respect of relevant Hong Kong laws and regulations; and

- we have engaged Shenyin Wanguo Capital (H.K.) Limited as our compliance advisor to advise our Directors and management team on matters and compliance relating to the Listing Rules. The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date of despatch of the Group's annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

Our Directors acknowledged that the internal control system of our Group at the time the non-compliances occurred were inadequate and they believe that an effective internal control system is the key to prevent future non-compliances. We have put in place specific internal control measures to prevent recurrence of similar non-compliance incidents in the future, and they are as follows:

(i) Cash management

At the Group level:

(a) we are in the process of setting up a cash pooling system via a central bank account, which is expected to be in place by the end of 2013. We will assign dedicated finance personnel to manage and control the central bank account; and such finance personnel will report to chief financial officer of our Group on a weekly basis. Upon the establishment of the central bank account, all cash from the subsidiaries will be pooled together into the central bank account, and all lending/borrowing activities will be managed and monitored by our Group. It will enable our Group to monitor the cash flow of each subsidiary's bank accounts, and to allocate funding among the subsidiaries by our Group. Our Directors considered that it is a more efficient way for the finance department at the Group level to monitor cash flow of our Group as a whole and allow the finance department at the Group level to have sufficient access and control of the transactions/movements of funds at each subsidiary. Our Directors believe that this centralized system, together with those internal control measures described above, should be able to effectively avoid misappropriation of funds going forward;

(b) to detect and prevent our Group's bank accounts from being used for illicit purposes, only finance personnel delegated by our Group can access the bank accounts. The finance department at the subsidiary level is required to submit detailed weekly report to the chief financial officer of the Group. The weekly report will provide a cash flow update of the subsidiary during the relevant period. The finance department at the Group level will cross-check the balance in the weekly report against the balance of the subsidiary's bank account to ensure that they reconcile each other;

(c) all transactions/movements of money exceeding RMB500,000 must be approved by the Group's Planning and Financial Management Center. For those transactions/movements which are below RMB500,000, our Group will monitor the bank account of each subsidiary and cross-check against the annual budget and monthly budget of such subsidiary determined by our Group's Planning and Financial Management Center at the start of each financial year. Each subsidiary will operate according to its annual budget and monthly budget. The finance department at the Group level will review the weekly report submitted by the finance department of each subsidiary. In the event that a subsidiary exceeded its annual and/or monthly budgets, the finance department of the Group will conduct an internal review of the fund activities of such subsidiary to investigate the underlying reasons for exceeding its annual/monthly budgets and to ensure transactions are genuinely made with proper written record and are for the benefit of our Group. If the finance department of the Group considers any of such transactions are questionable, it will report to our Group's internal control department for further review and checking; and

(e) the chief financial officer of the Group will oversee the implementation of the internal control in relation to the Group's cash management process. Our audit committee, which comprised independent non-executive Directors, will monitor and assess the effectiveness of the internal control measures implemented by us on a regular basis to prevent recurrence of similar non-compliance incidents.

At the subsidiary level:

(a) we have adopted a cash management and delivery system at each of its cemeteries and funeral facilities to provide for authorization and approval from relevant duty managers for movements in cash (including cash receipts and payments), control over cash deposits (including management of cash deposits with banks and online banking management) and capital management of our Group;

(b) at each of our cemeteries and funeral facilities, we have designated duty managers and sales personnel to be responsible for ensuring that each day's sales in cash are properly deposited in a safe located at the cemeteries and funeral facilities after the close of business each day, and cash receipts (after reaching a predetermined amount and after a reasonable reserve amount has been deducted) are delivered by a designated manager from our Group's finance department to the bank for deposit into our Group's bank account (and our Group's central bank account after it has been set up by the end of 2013). This process is overseen by a local resident supervisor, who reports directly to the finance department at the Group level; and

(c) once sale is confirmed, the sales personnel at each cemetery and funeral facility must report to the general manager of sales at the relevant subsidiary. Such general manager will review and approve the sale and submit an approval form to the finance department at the relevant subsidiary. Upon approval by the finance department, it will direct designated finance personnel at the cemetery and funeral facility to collect cash from the customers. Sales personnel are not authorized to collect cash. Once the cash is collected by the designated finance personnel, it will be recorded in the account ledgers of the subsidiary and receipt will be issued to the customers. The purpose of adopting such a system is to delineate the functions of sales and finance and to establish a check and balance between the two to ensure that there is no misappropriation of cash, and sales are properly recorded. The entire process is conducted and tracked through our Group's centralized computer system.

(ii) Failure to submit statements and registration forms to relevant environmental bureaus

(a) the Group's legal department is responsible for preparing a list of legal requirements which need to be complied with and the required documentations which need to be submitted to the relevant government authorities for approvals prior to commencement of any constructions;

(b) our Group's legal and internal control departments are responsible for monitoring the overall process, and Mr. Yu Haigang, our in-house PRC counsel and Mr. Luk Wai Keung, our chief financial officer and head of our internal control department, will oversee the implementation of these remedial measures. See "Measures Adopted to prevent Future Non-Compliance" in this section above for details of Mr. Yu's qualification and experience, and "Directors and Senior Management" section for details of Mr. Luk's experience and qualification; and

(c) constructions can only be commenced with the sign-off by our Group's legal and internal control departments that all legal requirements have been complied with.

(iii) Owned and leased properties

(a) our Group's legal and internal control departments is responsible for preparing a list of required constructions permits, construction work planning permits and building ownership certificates which need to be obtained from the relevant government authorities and the personnel of the engineering department must proceed to obtain the required permits and certificates set out in the list before commencing construction;

(b) the responsible personnel in the engineering department reports to our Group's legal and internal control departments regarding application progress and status on a regular basis;

(c) when the required constructions permits, construction work planning permits and building ownership certificates are obtained by the engineering department, responsible personnel will send a copy of the permits/certificates to our Group's legal and internal control departments to cross check against the list of required constructions permits, construction work planning permits and building ownership certificates to ensure that all required approvals are indeed obtained;

(d) prior to completion of any acquisition of properties or acquisition of a company which owns properties, our Group's legal department would perform due diligence to evaluate whether all necessary certificates/permits relating to the properties have been obtained. If certain certificates/permits have not been obtained, our Group will request the vendor to obtain such certificates/permits prior to completion. If our Group's legal department considered that the rectification can be easily carried out within a short period of time and our Group considered that the properties in questions are not material to our Group's business operation, our Group may proceed with completion. Our Group's legal department will be responsible for obtaining the outstanding certificates/permits and report to the Group's legal and internal control departments regarding the applications progress on a regular basis; and

(e) our Group's legal and internal control departments will perform due diligence to ensure that all relevant registration approvals and title documents are in place before entering into new leases. If certain approvals or title documents have not been obtained, our Group will request the potential lessor to obtain such approvals or title documents prior to entering into of the lease. The Group will not enter into a lease unless it is satisfied that all required approvals and title documents have been obtained by the potential lessor.

(iv) Future lending to third parties and future borrowing

At the Group level:

(a) we have adopted an internal policy, which prohibits all lending to third parties outside the Group, including Controlling Shareholders, by any members of our Group at any amount. Our Board will not approve any lending to third party going forward;

(b) to ensure that such policy can be duly implemented, at the subsidiary level, we have adopted a stringent internal control and financial reporting system. We have implemented a fund management system, pursuant to which any subsidiary in need of funds is required to make an application for borrowing to the Planning and Financial Management Center (計劃財務管理中心) at the Group level for review and approval prior to any borrowing, and such application will need to be counter-approved by our Group's general manager;

(c) the finance department at the Group level will monitor the fund flow of each subsidiary on a weekly basis by reviewing the reports submitted by the finance department of each subsidiary and cross-check the balance set out in the weekly report against the balance at the relevant bank account. This could help identify any suspicious or non-approved lending and borrowing transactions, in particular, any large amount of money going out to third party;

(d) we provide regular trainings in respect of our funding system, borrowing procedures and policies, and lending policies to third parties to all finance staff at the Group and subsidiary levels on a regular basis to ensure that, among other things, no lending to third party will occur again going forward;

(e) our internal audit department also participates in the review of our borrowing and lending activities on a regular basis. Our internal audit department is responsible for review of our Group's financial, operational, and related activities. The internal audit department reports to the audit committee of the Board. We have also implemented an internal audit management system to guide relevant work relating to internal audit; and

(f) our audit committee will monitor and assess the effectiveness of the internal control measures implemented by our Company on a regular basis to prevent recurrence of similar non-compliance incidents and our compliance committee will review to ensure compliance of applicable laws.

At the subsidiary level:

(a) to ensure that no personnel can borrow money from third party without authorization, our Company has adopted a stringent system in executing legal documents. Any subsidiary which requires borrowing from third party will need to prepare a report setting out detailed reasons for the borrowing, its usages and related budgets, and submit the report with the subsidiary's own company chop and it's general manager's approval to the finance department at the Group level for review and approval. Once approved, the finance department at the Group level will submit such borrowing application to the Group's general manager for further review and approval. Any borrowing approved by the Group's general manager will be further submitted to our Board for consideration and final approval. With our Board's approval, the finance department at the Group level will enter into loan agreements (with the company chop at the Group level affixed) with the third party for the purpose of borrowing the funds, and thereafter remit the funds to the relevant subsidiary; and

(b) any subsidiary with borrowed funds is required to prepare weekly fund utilization reports, so that we will be able to monitor the usage of borrowed funds by such subsidiary on a weekly basis at the Group level and ensure any borrowing activities are in compliance with the relevant regulations. We also require our subsidiaries to submit reports to confirm that no lending is made to third parties outside our Group. The finance department at the Group level will review the fund flows of each subsidiary on a monthly basis to ensure that there is no lending to any third parties.

(v) Future business/asset acquisitions

(a) when a potential business/asset acquisition is identified, detailed report must be submitted to the investment committee of our Group for review and assessment. The investment committee will assess the potential business/asset acquisition based on various factors including, but not limited to, the anticipated economic benefits to our Group, the financial situation of the target, the financial condition of our Group, whether the investment itself or the target business or asset has complied with all applicable laws, and the strategic rationale for the acquisition. The investment committee will put forward to our Board those potential business/asset acquisition which the investment committee considered worth pursuing. All investments must be approved by our Board;

(b) our Directors acknowledged that thorough legal due diligence was not conducted when we acquired Jinzhou Maoshan Anling, which resulted in non-compliance with the relevant PRC law. In order to avoid similar incidents from recurring, we have increased the number of representatives of our investment committee to six members to include our Group's in-house PRC legal counsel, Mr. Yu Haigang. The purpose of such inclusion is to enhance the legal and compliance awareness of the investment committee and assess the legal risk of the potential acquisition. Furthermore, the in-house PRC legal counsel will be responsible in the legal due diligence exercise of potential investment to ensure compliance with all applicable law; and

(c) our chief financial officer, Mr. Luk Wai Keung, has replaced the then deputy general manager of the internal control department as a member of the investment committee since Mr. Luk is now heading the internal control department. Our Directors believe that the composition the investment committee could offer much needed knowledge and experience in PRC law and internal control among members of the investment committee and could prevent legal non-compliance going forward and ensure that the internal procedures for approval of future business/asset acquisition are strictly adhered to.

We will further disclose and update the progress of rectification of the above non-compliance incidents in the forthcoming interim and annual reports.

In view of the above measures, our Directors are of the view that the Group's internal control is adequate and sufficient under the Listing Rules to prevent the occurrence of the above non-compliances in the future. Having (i) considered the above measures; (ii) reviewed the internal control procedures prepared by the Company and the relevant supporting documents collected from the Company; (iii) discussed with the management of the Group on the findings and recommendations concerning the internal control system of the Group by an independent internal control consultant engaged by the Company; (iv) taken into account the training session provided to our Directors by the legal advisors to the Company on legal compliance and the fact that our Directors have confirmed that they had no intention to breach the relevant law at the time when the historical non-compliance incidents occurred; (v) taken into consideration that the Company will continue to retain PRC and Hong Kong legal advisors to provide professional assistance to the Group on regulatory compliance matters and trainings to our Directors after Listing and our Directors are committed to rectify these non-compliances and implement the enhanced internal control measures; (vi) the non-compliances were inadvertent and results of our Directors' lack of awareness of the requirement under the applicable laws; (vii) none of the non-compliance incidents have any material operational and financial impact on our Group's principal business operation; and (viii) our Directors have signed confirmation letters to the Sole Sponsor stating that their understanding of their obligations and duties under the Listing Rules, nothing has come to the attention of the Sole Sponsor that would cause it to believe that the Group's internal control is inadequate and insufficient under the Listing Rules to prevent the occurrence of the above non-compliance in the future and the Sole Sponsor is of the view that our Directors collectively have the experience, qualifications and competence under Rules 3.08 and 3.09 of the Listing Rules to manage the Company's business and comply with the Listing Rules.

BOARD OF DIRECTORS

Our Board consists of ten Directors, including three executive Directors, three non-executive Directors and four independent non-executive Directors. Our Board has the general powers and duties for the management and conduct of our business. The table below sets forth information regarding our current Directors:

Name	Age	Position	Date of appointment as Director	Roles and responsibilities
Bai Xiaojiang (白曉江)	55	Chairman and executive Director	January 5, 2012	Overall strategic planning and business development
Tan Leon Li-an (談理安)	48	Vice-chairman and executive Director	January 5, 2012	Overall strategic planning and business development
Wang Jisheng (王計生)	60	Executive Director and general manager of our Group	January 30, 2013	Overall management, business operation, strategic planning and business development
Lin Hung Ming (林宏銘) (also known as Lin Hon Min)	57	Non-executive Director	January 30, 2013	As a non-executive Director
Lu Hesheng (陸鶴生)	63	Non-executive Director	January 30, 2013	As a non-executive Director
Huang James Chih-Cheng	55	Non-executive Director	December 3, 2013	As a non-executive Director
Chen Qunlin (陳群林)	67	Independent non-executive Director	December 3, 2013	As an independent non-executive Director
Luo Zhuping (羅祝平)	61	Independent non-executive Director	December 3, 2013	As an independent non-executive Director
Ho Man (何敏)	44	Independent non-executive Director	December 3, 2013	As an independent non-executive Director
Wu Jianwei (吳建偉)	57	Independent non-executive Director	December 3, 2013	As an independent non-executive Director

Executive Directors

Mr. Bai Xiaojiang (白曉江), age 55, is our chairman and executive Director. Mr. Bai is responsible for the overall strategic planning and business development of our Group. Mr. Bai has been the chairman of Shanghai FSY Industry Development since 1996. He has also been the president and chairman of Zhongfu since 1996. Mr. Bai is the director of each of Zhongfu, Shanghai Zhongfu and Shanghai FSY Industry Development. Mr. Bai has been a director of Chief Union since December 2011, and is also a director of Fulechuan. He acted as one of the promoters of each of NGO 1 and NGO 2. Mr. Bai has more than 17 years of experience in the death care services industry in the PRC and has served our Group for 17 years. Mr. Bai had recognized accomplishments through his holding of senior engineering and business positions in the PRC, such as his senior role in the construction of the LuPu bridge in Shanghai. Mr. Bai is also a member of the 6th, 7th and 8th central committee of the China Democratic National Construction Association (中國民主建國會) and a member of the 8th, 9th and 10th Chinese People's Political Consultative Conference, Shanghai. Mr. Bai has also been vice president of the Shanghai Federation of Industry and Commerce since November 2013.

Mr. Bai served as a general manager in China Welfare Enterprise (Huadong) Company (中國福利企業華東公司), the predecessor of Zhongfu, during the period from 1990 to 1995. Mr. Bai was a technician, manager of the technology department, assistant to general manager and vice general manager of China Kanghua Industrial Co., Ltd. (中國康華實業有限公司), the predecessor of China Welfare Enterprise (Huadong) Company (中國福利企業華東公司), between 1987 and 1990. Mr. Bai was awarded a bachelor's degree in computer science by the Shanghai Second Polytechnic University in 1986.

Mr. Tan Leon Li-an (談理安), age 48, is our vice-chairman and executive Director. Mr. Tan is responsible for the overall strategic planning and business development of our Group. Mr. Tan has been the vice chairman of Shanghai FSY Industry Development since December 2006, the director of Hefei Dashushan Co since December 2006 and the vice chairman of Chongqing FSY since May 2011. Mr. Tan has been a director of FSG Holding since December 2011.

Prior to joining our Group, Mr. Tan had served as the director and the chief operation officer of the Paper Packaging Division of Pacific Millennium Group (國際濟豐集團) since he joined the group in 1989. He also served as the chief executive officer of a joint venture company jointly owned by Pacific Millennium Group and International Paper Company between March 2001 and July 2005.

Mr. Tan graduated from University of California, Berkeley with a bachelor's degree in physical sciences in August 1986 and received a master's degree business administration from University of Southern California in August 1987.

Mr. Tan is the relative of Mr. Tan Li Kang, our senior deputy general manager of projects development.

Mr. Wang Jisheng (王計生), age 60, is our executive Director and the general manager of our Group. Mr. Wang is responsible for the overall management and business operation and strategic planning and business development of our Group. Mr. Wang has been the managing director of Shanghai FSY Industry Development since 1996. He is an executive director of Chongqing Anle Services, Chongqing Anle Funeral Services and Shandong FSY Development. He is also president of Shanghai FSY Corporate Management Consultancy. He acted as one of the promoters of NGO 2. Mr. Wang has more than 17 years of experience in the death care services industry in the PRC and has served our Group for more than 17 years.

Mr. Wang has been a lecturer of courses organized by China Funeral Association for the senior management of cemeteries since 1999. Prior to that he was appointed the deputy general manager of Zhongfu in 1991. Mr. Wang worked as a teacher in the Shanghai Institute of Foreign Trade between 1980 and 1991. Mr. Wang was a teacher and counselor at local schools in Jiqing, Anhui between 1971 and 1980.

Mr. Wang is a renowned figure in the PRC death care services industry. Mr. Wang is an executive council member of the China Funeral Association and the head of the Cemetery Committee of China Funeral Association. Mr. Wang has completed the Senior Executive Program organized by the Faculty of Business Administration of the National University of Singapore in November 2001 and the China CEO Management Innovation Executive Program organized by Shanghai Jiaotong University in August 2004.

Non-executive Directors

Mr. Lin Hung Ming (林宏銘) (also known as Lin Hon Min), age 57, is our non-executive Director. Mr. Lin currently serves as a director of Shanghai FSY Industry Development, and has been a director of FSG Holding since June 2012. He has more than 19 years of experience in the death care services industry in the PRC.

Mr. Lin is also chairman of Taipei Trading Co., Ltd. since January 2009, executive member of the Importers and Exporters Association of Taipei since June 1997, vice chairman of Fortune Motors Co., Ltd. since June 2005, director of Mizuno (Taiwan) Co., Ltd. since April 1992, supervisor of G-Chou Enterprise Co., Ltd. since May 1990, director of Ruiji Investment Co., Ltd. (瑞基投資股份有限公司) since May 1990, director of Kao (Taiwan) Co., Ltd. since April 2004, director of Guozhu Rubber Co., Ltd. (國住橡膠股份有限公司) since May 1990, chairman of Taiwan Aichi Instruments Technology Co., Ltd. (台灣愛知儀表科技股份有限公司) since October 2010, and supervisor of The Great Taipei Gas Corporation (TAIEX code: 9908) since June 1998.

Mr. Lin graduated with a bachelor's degree in engineering from the National Taiwan University in June 1978. He also obtained a master's degree in business administration and a master's degree of science in business administration (quasi-doctoral) from the University of Southern California in June 1980 and June 1981, respectively.

Mr. Lu Hesheng (陸鶴生), age 63, is our non-executive Director. Mr. Lu is a senior engineer. He has more than 28 years of experience in the death care services industry in the PRC.

Since 2001, he serves as the director and general manager of Shanghai Nam Kwong Petro-Chemical Co., Ltd. Between 1991 and 2001, he was general manager of Zhongfu, chairman and general manager of China Zhongfu Petrochemical Industry Co., Ltd.* (上海中福石油化工實業有限公司), and vice chairman and general manager of Shanghai Zhongfu International Trading Co., Ltd. From 1986 to 1990, he was general manager of Shanghai Exhibition Centre Co., Ltd.* (上海展覽中心友聯公司).

From 1973 to 1985, Mr. Lu worked at the science and technology division, the information data department and the equipment supply department of Shanghai Petrochemical Company Ltd., and held the positions of a deputy secretary and the secretary to the Party Committee.

Mr. Lu graduated from Shanghai University of Engineering Science with a higher certificate in sales and exhibition in June 1990.

Mr. Huang James Chih-Cheng, age 55, is our non-executive Director. Mr. Huang has been the Chief Financial Officer of Big Earth Publishing, Boulder, Colorado, since 2011. Prior to that, Mr. Huang served as a member of the senior management of Pacific Millennium Holding Corporation from 1987 to 2011 such as Regional General Manager of Pacific Millennium (U.S.) Corporation from 2007 to 2011; General Manager of Pacific Millennium Asia Corp Communication Co Ltd, Shanghai from 2003 to 2006; Senior Vice President and General Manager of Pacific Millennium Co Ltd from 1990 to 1995; Operations Manager of Pacific Millennium Co Ltd, U.S.A. from 1987 to 1990; Regional General Manager of International Paper Pacific Millennium Co Ltd's for South East Asia region from 2002 to 2003; Chief Financial Officer of International Paper Pacific Millennium Co Ltd's from 2001 to 2002; and Chief Financial Officer of Pacific Millennium Paper Group from 1999 to 2001. Prior to joining Pacific Millennium, Mr. Huang served as Corporate Accounting Manager at Electronic Data Systems in Dallas, Texas, from 1984 to 1987. He had also served as President of Energy System International, Beijing from 2003 to 2006; Member of the Board between 1994 and 2000 and subsequently elected as Chairman of the Board between 1999 and 2000 for Millennium Bank, San Francisco, California.

Mr. Huang graduated from McMaster University in Canada with a Bachelor's Degree in Economics in May 1982. He also completed an advanced management program sponsored by the Wharton School of Business at the University of Pennsylvania (U.S.A.) in March 1999. Mr. Huang has been a qualified certified public accountant in Texas (U.S.A.) since January 1989. Mr. Huang is currently not a practicing CPA.

Independent non-executive Directors

Mr. Chen Qunlin (陳群林), age 67, is our independent non-executive Director. Mr. Chen has been the president of China Funeral Association (中國殯葬協會) since 2004 and was the president of International Federation of Thanatologist Association (國際殯葬協會) from 2008 to 2010. Before that, Mr. Chen served as the director general of the Social Welfare and Social Affairs Department of the MCA (民政部社會福利和社會事務司) from 2001 to 2004 and the director of China Welfare Lottery Issuing Centre (中國福利彩票發行中心) from 1992 to 2001. Mr. Chen also served as the president of China Communications Press (人民交通出版社) from 1991 to 1992, secretary general of the Political Reform Research Office of the Chinese Communist Party Central Committee (中共中央政治研究室) from 1987 to 1990, secretary of the General Office and Deputy secretary general of the Party Committee of Guizhou Province (中共貴州省辦公廳) from 1976 to 1986. Before that, Mr. Chen also worked at the Commune and County Party Committee of Sinan County, Guizhou Province (貴州省思南縣公社、縣委工作) from 1970 to 1976.

Mr. Chen graduated from the Beijing Broadcasting Institute (北京廣播學院, now known as the Communication University of China 中國傳媒大學) majoring in journalism in July 1969.

Mr. Luo Zhuping (羅祝平), age 61, is our independent non-executive Director. Mr. Luo has held various positions in China Eastern Airlines (中國東方航空公司) since 1988. He served as the deputy chief and then chief of the enterprise management department of China Eastern Airlines from 1992 to 1997 and the deputy head of the share system office from 1993 to 1996. Mr. Luo served as the board secretary of China Eastern Airlines Corporation Limited (HKSE stock code: 670) for 15 years from December 1996 to April 2012. He became a Director of the China Eastern Airlines Corporation Limited from June 2004 to June 2013.

Mr. Luo graduated from the Faculty of Philosophy of Anhui Labor University (安徽勞動大學) in August 1979 and the Faculty of Law of Anhui University (安徽大學) in July 1986. Mr. Luo later received a Master degree from the Economics Department of Eastern China Normal University (華東師範大學) majoring in global economics in April 1994. In September 1998, he participated in an Executive Study Tour organized in the U.S. by the State Economic and Trade Commission (國家經濟貿易委員會) and Morgan Stanley. He also completed a CEIBS-Wharton Joint Program in Corporate Governance and Board of Directors in August 2008. Mr. Luo holds an independent director certificate issued by the Shanghai Stock Exchange in April 2012 and a corporate governance certificate issued by the Hong Kong Institute of Directors in November 2004.

Mr. Ho Man (何敏), age 44, is our independent non-executive Director. Mr. Ho has been an executive partner representative of a Chengdu-based private equity investment fund since December 2011. Prior to that, Mr. Ho was a managing director and head of China growth and expansion capital of CLSA Capital Partners which he worked for during August 1997 to October 2009. Mr. Ho was the independent non-executive director and member of the audit committee of SCUD Group Limited (HKSE stock code: 1399) and Shanghai Tonva Petrochemical Co., Ltd. (HKSE stock code: 1103) from December 2006 to October 2009 and from September 2008 to October 2009, respectively. Mr. Ho has been the independent non-executive director, chairman of the audit committee and a member of the remuneration committee and nomination committee of Fantasia Holdings Group Co., Ltd. (HKSE stock code: 1777) since October 2009. Mr. Ho has over 15 years of working experience in private equity investment and finance.

Mr. Ho was awarded an EMBA degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst charterholder and a Certified Public Accountant.

Ms. Wu Jianwei (吳建偉), age 57, is our independent non-executive Director. Ms. Wu is also chairperson of our compliance committee and is responsible for overseeing our Group's compliance aspects. She has been an arbitrator of the Beijing Arbitration Commission, Shanghai Arbitration Commission and Shenzhen Arbitration Commission since July 2001, June 2004 and June 2009, respectively. She has obtained a PRC lawyer qualification since November 1998.

Prior to joining our Group as Director, she was executive general manager of CITIC Securities Company Limited (stock code: SSE: 600030, SEHK: 6030) between July 2006 and September 2009, and July 2012 and April 2013. She was head of compliance at CITIC Securities Company Limited between November 2009 and June 2012. She was deputy general manager of the general office of China Life Reinsurance Company Ltd. (中國人壽再保險股份有限公司) between October 2004 and March 2005. She was deputy editor-in-chief of China Law magazine (中國法律) between July 1997 and July 2004. She was deputy office general manager of Huatai Insurance Company of China (華泰保險公司) between October 1996 and June 1997, responsible for legal affairs. She was a clerk, assistant judge and senior judge at the Civil Tribunal of the Supreme People's Court of the PRC between February 1982 and October 1996.

Ms. Wu has also been an independent director of a number of companies in China. She was Independent director of Lianyungang Ideal Group Co., Ltd. (連雲港如意集團股份有限公司) between June 2002 and May 2009. She was an independent director of Huadong Medicine Co., Ltd. (華東醫藥股份有限公司) between June 2003 and May 2009. She was also an independent director of Sanjiu Medical and Pharmaceutical Co., Ltd. (三九醫藥股份有限公司) between April 2005 and April 2008.

Ms. Wu was awarded a bachelor's degree in law by the Jilin University in April 1982. She was awarded a master's degree in civil and commercial laws by Renmin University of China in January 1994. Ms. Wu also received training for independent directors from the China Securities Regulatory Commission in April 2002.

Save as disclosed above, each of our Directors has confirmed that he or she has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and that there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

The following table sets forth certain information relating to our senior management:

Name	Age	Position
Wang Jisheng (王計生)	60	General manager of our Group and an executive Director
Ge Qiansong (葛千松)	65	Deputy general manager of strategic planning and development
Yi Hua (伊華)	45	Deputy general manager of public relations, cultural branding development and human resources
Tan Li Kang (談理康)	50	Deputy general manager of projects development
Wu Yibo (鄔亦波)	42	Deputy general manager of sales and marketing and corporate planning
Xu Yong (徐勇)	55	Deputy general manager of our Engineering, Greenery, Construction and Management
Zhao Yu (趙宇)	37	Deputy general manager of Listing matters and Board secretary affairs, and joint company secretary
Li Heguo (李和國)	48	Deputy General Manager of strategic development, planning and execution, major projects and acquisitions
Luk Wai Keung (陸偉強)	49	Chief Financial Officer

Mr. Wang Jisheng (王計生) is an executive Director and the general manager of our Group. For Mr. Wang's biography, see "Executive Directors" above.

Mr. Ge Qiansong (葛千松), age 65, is our deputy general manager responsible for our strategic planning and development. He has been deputy general manager and secretary of the board of directors of Shanghai FSY Industry Development since 1995. He was also the managing director of Henan FSY Industry Co., Ltd. between 2009 and 2012 and Chongqing Anle Services Co., Ltd. between 2002 and 2012. Mr. Ge has nearly 40 years of experience in the funeral service industry and has been in service with our Group for about 18 years.

Mr. Ge worked for the Funeral Management Office of the Shanghai Civil Affairs Bureau from January 1977 to March 1992 as the deputy director and director of Shanghai Longhua Funeral House. From 1991 to 1993, Mr. Ge served in Xiao Ao (Japan) Co., Ltd. (日本曉奧公司), a company principally engaged in the provision of floral services, as a deputy general manager. He was employed as the general manager of Shimazaki Co., Ltd. (日本島崎株式會社) from 1993 to 1995. Mr. Ge has been the vice chairman of the Technology and Cultural Committee of the China Funeral Association since May 1995 and chairman of the same committee since 2012.

Mr. Ge graduated with a diploma in politics from the Shanghai Normal University in July 1986. Mr. Ge has completed the China CEO Management Innovation Executive Program organized by Shanghai Jiaotong University in January 2005 and the continuous educational courses organized by Tsinghua University in January 2008.

Ms. Yi Hua (伊華), age 45, is our deputy general manager and is responsible for our public relations, cultural branding development and human resources. She has been employed by Shanghai FSY Industry Development since 1996 and has been its deputy general manager since 2006. Ms. Yi has more than 17 years of experience in the death care services industry in the PRC and has been in service with our Group for approximately 17 years.

Prior to joining our Group, she was the manager of the public relations department of Hong Kong Tianhe Clothing Company Limited (香港天和製衣有限公司) from 1995 to 1996. From 1993 to 1995, Ms. Yi served as the head of the marketing department of Hollywood Real Estate (好萊塢房地產). She was an administrative assistant in the Shanghai Office of American Asia Pacific International Group (美國亞太國際集團上海辦事處) between 1990 and 1993. Before that, she worked at the Shanghai Tin Material Factory (上海鉛錫材料廠) as a secretary of the management office from 1988 to 1990. She is also the incumbent secretary of the Experts Committee of China Funeral Association. Ms. Yi is a well recognized figure in business, having been awarded the Top Ten Chinese Publicist Gold Award in 2007, the Boao Public Relation Ambassadors in 2010 and the "Top 10 Outstanding Female of Asia Brand" in 2012. Ms. Yi was also awarded eight domestic and international planning awards during her 15 years of service in the cemetery industry. Ms. Yi is the secretary of the "Xing Xing Gang" Project (星星港專項基金) of the Shanghai Charity Foundation (上海慈善基金會).

Ms. Yi received a diploma in technology records by the Shanghai School of Administration in July 1988. Ms. Yi completed the integrated marketing postgraduate courses co-organized by the Business School of Fudan University and University of Hong Kong in 2003 and the China CEO Management Innovation Executive Program organized by Shanghai Jiaotong University in August 2005.

Mr. Tan Li Kang (談理康), age 50, is our deputy general manager and is responsible for our Group's project development. Mr. Tan was appointed as the assistant of the general manager in 1995 and has been promoted as the deputy general manager of Shanghai FSY Industry Development since 1998. Mr. Tan was also appointed as the executive deputy general manager of Shanghai Nanyuan in 2007. Mr. Tan was further appointed as supervisor of Shanghai FSY Corporate Management Consultancy and director of Nanchang Hongfu in 2012. Mr. Tan is responsible for the construction, engineering and initial development of our Group's major projects. Mr. Tan has more than 18 years of experience in the death care services industry in the PRC and has been in service with our Group for approximately 18 years.

From 1992 to 1995, Mr. Tan served as a manager in the Shanghai Office of Pacific Millennium Holdings Corporation (國際濟豐股份有限公司上海辦事處), which is principally engaged in the business of manufacturing of paper and packaging materials. He worked in Jiangxi Fenyi Coal Mine Machinery Factory (江西省分宜煤礦電機廠) from 1982 to 1985 and from 1988 to 1992.

Mr. Tan graduated from the Architecture Department of the Workers of Coal Mine University, Pingxiang, Jiangxi (江西萍鄉煤礦職工大學) in July 1988 and completed the postgraduate course in finance with the Business School of East China Normal University (華東師範大學商學院) in June 2003. Mr. Tan also completed the senior executive program with the National University of Singapore in November 2003. He received a master's degree in business administration from Macau University of Science and Technology in August 2004. Afterwards, Mr. Tan completed the China CEO Management Innovation Executive Program (中國CEO(總裁)創新管理高級研修班) organized by Shanghai Jiao Tong University (上海交通大學) in May 2006 and received a certificate of achievement from the International Cemetery, Cremation & Funeral Association for the ICCFA Cemetery Training that Mr. Tan completed in 2007.

Mr. Tan Li Kang is the relative of Mr. Tan Leon Li-an, our vice-chairman and executive Director.

Mr. Wu Yibo (鄔亦波), age 42, is our deputy general manager of sales and marketing and corporate planning. Mr. Wu joined our Group in 2002 and had served in various capacities, including as manager of the enterprise research and development department of our Group; manager of the marketing department; manager of the administration and human resources department; assistant of the general manager; deputy general manager; executive deputy general manager and general manager of Shanghai FSY Industry Development. Mr. Wu has nearly 10 years of experience in sales management in the commercial field.

Mr. Wu was awarded a bachelors' degree in arts (English) by the Shanghai Second Polytechnic University in July 1993.

Mr. Xu Yong (徐勇), age 55, is our deputy general manager responsible of our Group's engineering, greenery, construction and planning aspects. Mr. Xu is responsible for our Group's engineering, construction, landscaping and greenery construction and management. Mr. Xu is also the chairman of our Group's trade union. Mr. Xu has over seven years of experience in the death care services industry in the PRC and has been working for us for almost three years. Mr. Xu has over 30 years of experience in real estate development and construction management. Mr. Xu has been a registered senior operating manager with the National Credentials Committee of Senior Operating Manager since July 2005.

Prior to joining our Group, Mr. Xu was the manager of Shanghai Lingang, deputy general manager of Shanghai Nanyuan and general manager of Shanghai Yixuan Industrial and Trading Co., Ltd. (上海逸絢工貿有限公司) from 2006 to 2011. He was the general manager of Zhongfang Beiyang Property Company (中房置業北陽房產公司) from 2001 to 2006. From 1993 to 2001, he was the manager of the project department and the executive deputy general manager of Shanghai City Kaicheng Property Complex Development Company (上海市開城置業綜合開發總公司). From 1980 to 1993, he was a deputy head of the workshop and the division head of organization and human resources of Shanghai Dongfeng Timber Factory (上海東風木材廠). From 1976 to 1979, Mr. Xu served in the PRC Liberation Army as a squad leader.

Mr. Xu completed professional executive management studies at the Shanghai Party Institute of CCP Shanghai Administration Institute in July 1991. He also completed philosophical strategic management studies at the East China Normal University in June 1999.

Mr. Zhao Yu (趙宇), age 37, is our deputy general manager and is responsible for our Listing matters and Board secretary affairs, and was appointed as our joint company secretary on December 3, 2013. Mr. Zhao joined our Group in 2009. Mr. Zhao was a deputy general manager of our Group and is responsible for investor relations, corporate finance and corporate governance of the Group. Mr. Zhao has more than 11 years of working experience in the corporate finance industry.

From 2002 to 2009, he served as deputy general manager of Fu Ji Food and Catering Services Holdings Limited (HKSE stock code: 1175) and general manager of Fu Ji Food Services Group Financial Management Company.

Mr. Zhao was awarded a master's degree in business administration by the American University in London in February 2002. Prior to that, he obtained a bachelor's degree in finance and banking in June 1998 from the Dongbei University of Finance & Economics.

Mr. Li Heguo (李和國), age 48, is deputy general manager of strategic development, planning execution and major projects and acquisitions of our Group. Mr. Li joined our Group in 2013 and has over 7 years of experience in the death care services industry in the PRC.

Prior to joining our Group, Mr. Li was an executive director and chief executive officer of ZMAY Holdings Limited (HKSE stock code: 8085) between June 2007 and January 2009. He was chairman and general manager of Beijing Hengfeng Real Estate Co., Ltd. (北京恒豐房地產有限公司) between April 2003 and June 2007. He was vice president of Hi Sun Technology (China) Limited (HKSE stock code: 0818) between October 2000 and March 2003. He was general manager of China Baoan Group Beijing Industrial Co., Ltd. (中國寶安集團北京實業公司) between December 1993 and October 2000. He was secretary of the president of China Baoan Group (中國寶安集團) between July 1992 and December 1993. He was a teacher at the School of Economics of Peking University between April 1991 and July 1992.

Mr. Li was awarded a bachelor's degree in economics by the Peking University in July 1988.

Mr. Luk Wai Keung (陸偉強), age 49, is our Group's chief financial officer. Mr. Luk is a professional accountant, having been a state of Washington Certified Public Accountant license holder since October 2005. Mr. Luk is also a Chartered Financial Analyst at the Association for Investment Management and Research since September 1999 and a member of the Institution of Civil Engineers since December 1990. He has over 15 years of professional experience in the financial field.

Mr. Luk was the chief financial officer of Larry Jewellery International Company Limited (HKSE stock code: 8351) from July 2011 to October 2013.

From August 2007 to January 2011, he served as the vice president of the finance and business development of SHV (China) Investment Company Limited. He was chief financial officer of Synergis Holdings Limited (HKSE stock code: 2340) between May 2006 and June 2007. Mr. Luk also served as associate director of corporate finance at PricewaterhouseCoopers between January 1996 and April 2006. He served as an engineer in various civil engineering consultancy firms between 1986 and 1995.

Mr. Luk was awarded a bachelor's degree in science (engineering) by the University of Hong Kong in November 1986. He was awarded a master's degree in business administration by the Australian Graduate School of Management, University of New South Wales in May 1994.

JOINT COMPANY SECRETARIES

Mr. Zhao Yu (趙宇), is our joint company secretary. For Mr. Zhao's biography, see "Senior Management" above.

Ms. Wong Wai Ling (黃慧玲), age 33, was appointed as our joint company secretary on December 3, 2013. Ms. Wong has approximately ten years of experience in providing company secretarial services. Ms. Wong is the Assistant Vice President of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Ms. Wong has been awarded a Bachelor of Arts in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance from The Open University of Hong Kong, and is an Associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEE

Audit Committee

We have established an audit committee on December 3, 2013 with effect from the Listing, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee currently comprises Ho Man and Luo Zhuping, our independent non-executive Directors, and Huang James Chih-Cheng, our non-executive Director. Ho Man is the chairman of the audit committee.

Remuneration Committee

We have established a remuneration committee on December 3, 2013 with effect from the Listing, with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of our executive Directors and senior management. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management.

The remuneration committee currently comprises Luo Zhuping and Chen Qunlin, our independent non-executive Directors, and Tan Leon Li-an, our vice-chairman and executive Director. Luo Zhuping is the chairman of the remuneration committee.

Nomination Committee

We have established a nomination committee on December 3, 2013 with effect from the Listing, with written terms of reference in compliance with paragraph A4 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary functions of the nomination committee are to formulate nomination policies for consideration of our Board, implement the nomination policies laid down by our Board, and make recommendations to our Board to fill vacancies on the same.

The nomination committee currently comprises Bai Xiaojiang, our chairman and executive Director, Luo Zhuping and Chen Qunlin, our independent non-executive Directors. Bai Xiaojiang is the chairman of the nomination committee.

Compliance Committee

We have established a compliance committee on December 3, 2013 with effect from the Listing. The scope of work of the compliance committee is to review and monitor the legal and compliance aspects of our Group to ensure that our Group is in compliance with all applicable laws and regulations. The compliance committee will have the power to seek external counsel's advice.

The compliance committee currently comprises Wu Jianwei, Chen Qunlin, Luo Zhuping and Ho Man, all being our independent non-executive Directors. Wu Jianwei is the chairman of the compliance committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB542,000, RMB678,000, RMB678,000 and RMB348,000, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals for the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB1,602,000, RMB2,166,000, RMB2,166,000 and RMB1,179,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended December 31, 2012 and the six months ended June 30, 2013. No Director has waived or has agreed to waive any emoluments during the three years ended December 31, 2012 and the six months ended June 30, 2013.

Under the arrangements presently in force, the aggregate remuneration of the Directors for the year ending December 31, 2013, excluding discretionary bonus, is approximately RMB696,000.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Note 12 of our consolidated financial statements included in the Accountant's Report set out in Appendix I to this prospectus and "Statutory and General Information" set out in Appendix V to this prospectus.

COMPLIANCE ADVISOR

We will appoint Shenyin Wanguo Capital (H.K.) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance advisor on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

Our Controlling Shareholders

Assuming that the Over-allotment Option has not been exercised and the options granted under the Pre-IPO Share Option Scheme and the options granted or to be granted under the Share Option Scheme have not been exercised, each of FSG Holding and Chief Union is/will be interested in 35% and 32.2% of the issued share capital of our Company, respectively, immediately before the Capitalization Issue and the Global Offering, and 26.25% and 24.15%, respectively, of the issued share capital of our Company immediately after the Capitalization Issue and the Global Offering. Therefore, each of FSG Holding and Chief Union is a Controlling Shareholder of our Company as of the date of this prospectus. Chief Union is wholly-owned by Fulechuan, which in turn is wholly-owned by Zhongfu. Zhongfu is wholly-owned by Hongfu, and Hongfu is owned as to 50% by NGO 1 and 50% by NGO 2. Each of these entities is our Controlling Shareholder. For details of each of FSG Holding, Chief Union, Fulechuan, Zhongfu, Hongfu, NGO 1 and NGO 2, see "History and Reorganization — (III) Further Details of Our Corporate Restructuring Steps — D. Our Shareholders".

Each of our Controlling Shareholders and our Directors has confirmed that it or he does not have an interest in a business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business.

Operational Independence

We have full control over our assets to continue our business independently of our Controlling Shareholders. We do not rely on our Controlling Shareholders for our operations, technology, product and service development, staffing or marketing.

Our Directors and senior management conduct our business with established systems and arrangements in place. Our organizational structure is made up of functional departments, each with specific areas of responsibility. We have also established a set of internal control measures to facilitate the effective operation of our business.

Financial Independence

Our financial auditing system is independent of our Controlling Shareholders and we employ a competent and well-staffed team of financial accounting personnel. We have our own accounting and finance department, and our accounting systems, treasury function for cash receipts and payment and access to third party financing are independent of our Controlling Shareholders. We make financial decisions according to our own business needs. In addition, our Controlling Shareholders have not provided any financial assistance, security and/or guarantee in favor of our Group as at the Latest Practicable Date. Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders, and do not place undue reliance on them.

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and four independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders due to the following reasons:

(i) each Director is aware of his fiduciary duties as a Director of our Company which requires, among others, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions; and

(iii) our Board comprises nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of the Board. Such composition is in line with the requirement under Rule 3.10A of the Listing Rules.

DEED OF NON-COMPETITION

FSG Holding and Chief Union (collectively the "**Covenantors**") entered into a deed of non-competition (the "**Deed of Non-competition**") on December 3, 2013 in favor of our Company, pursuant to which each of the Covenantors has unconditionally and irrevocably agreed, undertaken and covenanted with our Company (for itself and for the benefits of each other member of our Group) that it would not, and would procure that its associates (other than any members of our Group) would not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, among others, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business referred to in this prospectus and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group or in which any member of our Group is engaged or has invested or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) (the "**Restricted Business**").

Each of the Covenantors has further unconditionally and irrevocably agreed, undertaken to and covenanted with our Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) the following:

(i) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition;

(ii) to procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and

(iii) to make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

Each of the Covenantors has further unconditionally and irrevocably agreed, undertaken to and covenanted with our Company to procure that any business investment or other commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "**New Opportunities**") given, identified or offered to it and/or any of its associates (other than any members of our Group) (the "**Offeror**") is first referred to us in the following manner:

(i) each of the Covenantors is required to, and shall procure its associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with our core business; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities and confirming that such New Opportunities would not constitute competition with our core business; or (b) the Offeror has not received such notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we shall seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the matter as to whether (i) such New Opportunities would constitute competition with our core business; and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

The Deed of Non-competition does not apply to:

(i) the holding of or interests in the shares of any member of our Group;

(ii) the holding of or interests in the shares of a company other than our Group, whose shares are listed on a recognized stock exchange provided that:

   (a) the relevant Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets, as shown in that company's latest audited accounts; or

(b) the total number of the shares held by the Covenantor and/or its associates does not exceed 5% of the issued shares of that class of the company in question, and such Covenantor and its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Covenantors in aggregate and/or its associates in aggregate.

The undertakings given by the Covenantors under the Deed of Non-competition shall lapse and the Covenantors shall be released from the restrictions imposed on it upon occurrence of the earlier of either of the following events or circumstances:

(i) the date on which the Shares cease to be listed on the Stock Exchange; or

(ii) the date on which the Covenantors and their associates cease to be or are no longer deemed to be Controlling Shareholders of our Company within the meaning of the Listing Rules in force from time to time.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Covenantors and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Covenantors;

(ii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition by the Covenantors in the annual reports of our Company;

(iii) in the event that connected transactions, if any, between our Group and other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;

(iv) our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and

(v) pursuant to the Corporate Governance Code and Corporate Governance Report (the "**Code**") in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Company is expected to comply with the Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.

EXEMPT CONNECTED TRANSACTION

Shandong World Trade Center and Shandong FSY Development entered into a loan agreement on January 1, 2013, pursuant to which Shandong World Trade Center provided a shareholder loan to Shandong FSY Development. As at June 30, 2013, the loan remaining outstanding amounted to approximately RMB48,627,000. The interest rate is approximately 9.18% per annum. Shandong World Trade Center expects to convert its outstanding loans into registered capital of Shandong FSY Development following the Global Offering.

The reason for entering into the shareholder's loan with Shandong World Trade Centre (the "**Loan**") was for the purpose of acquiring the land for the cemetery operation of Shandong FSY Development. In considering the funding requirement for payment of the land premium, Shandong World Trade Centre had considered injecting the funding directly as equity into registered capital of Shandong FSY Development to facilitate payment of the land premium. However, in order to expedite the process, Shandong World Trade Centre had decided to provide its funding to Shandong FSY Development by way of Loan instead of equity due to the additional approval process involved in using equity financing as the funding method. Since we acknowledged that as a matter of best practice for the purposes of effecting the Listing application the Loan should be repaid, we have explored different ways to repay the Loan. As agreed between our Company and Shandong World Trade Centre, repaying the Loan by way of cash is not at the best interest of Shandong FSY Development as compared to capitalizing the Loan into equity. As a result, both we and Shandong World Trade Centre have agreed that they will capitalize the Loan into equity interest of Shandong FSY Development (the "**Loan Capitalization Transaction**") in order to repay the Loan. Given Shandong World Trade Centre is a State-owned enterprise, the Loan Capitalization Transaction needs to be approved by the Shandong SASAC and it is currently undergoing the required approval process. Besides, the Loan Capitalization Transaction requires the execution and approval of various transaction documents such as board and shareholder resolutions, articles of associations, shareholders' agreement etc. It cannot be completed before Listing. Given Shandong World Trade Centre is obtaining the approvals from SASAC and such approvals may take time to obtain, we currently expect the completion of the Loan Capitalization Transaction may take place within one year after Listing. In the event completion cannot take place within one year after Listing, we undertake to explore other financing channels such as bank borrowing to repay the shareholder loan.

Shandong World Trade Center is a connected person of our Company as it is a substantial shareholder of Shandong FSY Development and it owns 50% equity interest in Shandong FSY Development. The shareholder loan will, upon Listing and prior to the conversion, constitute a connected transaction.

Our Directors are of the view that the shareholder loan, being a form of financial assistance (as defined under the Listing Rules), was provided by Shandong World Trade Center for our benefit on normal commercial terms where no security over our Company's assets was granted in respect of such shareholder loan. The shareholder loan will be exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option and any options that have been granted under the pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme have not been exercised, the following persons will have or be deemed to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity	Number of Shares held immediately after the Capitalization Issue and the Global Offering	Approximate percentage of interest in our Company immediately after the Capitalization Issue and the Global Offering
FSG Holding	Beneficial owner	525,000,000	26.250%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")[(1)]	Interest in controlled corporations	525,000,000	26.250%
Chief Union	Beneficial owner	483,000,000	24.150%
Fulechuan[(2)]	Interest in a controlled corporation	483,000,000	24.150%
Zhongfu[(3)]	Interest in a controlled corporation	483,000,000	24.150%
Hongfu[(4)]	Interest in a controlled corporation	483,000,000	24.150%
NGO 1[(5)]	Interest in a controlled corporation	483,000,000	24.150%
NGO 2[(6)]	Interest in a controlled corporation	483,000,000	24.150%
Double Riches	Beneficial owner	119,445,000	5.972%
Ge Qiansong[(7)]	Interest in a controlled corporation	119,445,000	5.972%

Notes:

(1) Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Accordingly, Mr. Tan is deemed or taken to be interested in approximately 26.250% of the issued share capital of our Company in which FSG Holding is interested in.

(2) Chief Union is a direct wholly-owned subsidiary of Fulechuan and Fulechuan will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(3) Fulechuan is a direct wholly-owned subsidiary of Zhongfu and Zhongfu will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(4) Zhongfu is a direct wholly-owned subsidiary of Hongfu and Hongfu will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(5) Hongfu is owned by NGO 1 as to 50% and NGO 1 will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(6) Hongfu is owned by NGO 2 as to 50% and NGO 2 will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(7) Ge Qiansong is interested in approximately 34.66% of the issued share capital of Double Riches and therefore Ge Qiansong will be deemed or taken to be interested in approximately 5.972% of the issued share capital of our Company in which Double Riches is interested in.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) be entitled to exercise, or control the exercise of 10% or more of the voting power at the general meeting of our Company.

THE CORNERSTONE INVESTMENT

We have entered into a cornerstone investment agreement with each of the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**") pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US$45 million (equivalent to HK$348.9 million) (the "**Cornerstone Investment**"). Assuming an Offer Price of HK$2.88, HK$3.105 and HK$3.33 (being the low end, mid-point and high end, respectively, of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be approximately 121.1 million, 112.4 million and 104.8 million, respectively, in aggregate, representing approximately (i) 24.2%, 22.5% and 21.0%, respectively, of the Offer Shares, and (ii) 6.1%, 5.6% and 5.2%, respectively, of the Shares in issue upon the completion of the Global Offering, without taking into account any Shares that may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme. Each of the Cornerstone Investors is an independent third party, is not our connected person, and is not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 18, 2013.

The Cornerstone Investment forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Other than the subscription pursuant to the cornerstone investment agreements, the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering. Immediately upon the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become our substantial shareholder. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus.

CORNERSTONE INVESTOR

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Investment:

Green Heaven Investment Holdings Limited

Green Heaven Investment Holdings Limited ("**Green Heaven**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for an aggregate amount of US$25.0 million (equivalent to HK$193.8 million) at the Offer Price. Assuming an Offer Price of HK$2.88, HK$3.105 and HK$3.33, being the low end, mid-point and high-end, respectively, of the Offer Price range set out in this prospectus, the total number of Shares that Green Heaven would subscribe for would be 67.3 million, 62.4 million and 58.2 million, respectively, representing (i) approximately 3.4%, 3.1% and 2.9%, respectively, of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, or, (ii) approximately 3.2%, 3.0% and 2.8%, respectively, of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised, without taking into account any Shares that may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme in each case.

Green Heaven is an investment entity jointly owned by Carlyle Asia Growth Partners IV, L.P. ("**CAGP IV**") and CAGP IV Co-Investment, L.P. ("**CAGP IV Coinvest**"), both are exempted limited partnerships established under the laws of the Cayman Islands. CAGP IV and CAGP IV Coinvest are investment funds affiliated with The Carlyle Group, L.P. (listed on the NASDAQ Stock Market (NASDAQ:CG)) ("**Carlyle**"), and are principally engaged in investments across a broad range of sectors with exclusive geographical focus on China, India and South Korea. Carlyle is a global asset manager and its purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments — Corporate Private Equity, Global Market Strategies, Real Assets and Global Solutions — in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including aerospace, defense and government services, consumer and retail, energy, financial services, healthcare, industrial, technology and business services, telecommunications & media and transportation.

Cinda International Asset Management Limited

Cinda International Asset Management Limited ("**CIAM**") have agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for an aggregate amount of US$2.5 million (equivalent to HK$19.4 million) at the Offer Price. Assuming an Offer Price of HK$2.88, HK$3.105 and HK$3.33, being the low end, mid-point and high-end, respectively, of the Offer Price range set out in this prospectus, the total number of Shares that and CIAM would subscribe for would be 6.7 million, 6.2 million and 5.8 million, respectively, representing (i) approximately 0.34%, 0.31% and 0.29%, respectively, of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, or, (ii) approximately 0.32%, 0.30% and 0.28%, respectively, of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised, without taking into account any Shares that may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme in each case.

CIAM, established in 1993, is a licensed corporation under the Securities and Futures Ordinance for Types 4 and 9 regulated activities (CE No. ABO798). CIAM manages clients' funds according to their investment objectives. Through flexible and diversified investment strategies, CIAM seeks to achieve steady income growth and capital appreciation for the funds under management.

China Cinda (HK) Asset Management Co., Ltd.

China Cinda (HK) Asset Management Co., Ltd. ("**China Cinda AM**") have agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for an aggregate amount of US$7.5 million (equivalent to HK$58.1 million) at the Offer Price. Assuming an Offer Price of HK$2.88, HK$3.105 and HK$3.33, being the low end, mid-point and high-end, respectively, of the Offer Price range set out in this prospectus, the total number of Shares that China Cinda AM would subscribe for would be 20.2 million, 18.7 million and 17.5 million, respectively, representing (i) approximately 1.01%, 0.94% and 0.87%, respectively, of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, or, (ii) approximately 0.97%, 0.90% and 0.84%, respectively, of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised, without taking into account any Shares that may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme in each case.

China Cinda AM is a wholly owned subsidiary of Well Kent International Investment Company Limited, which is one of the shareholders of Cinda International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 0111) which owns 100% of CIAM. CIAM, established in 1993, is a licensed corporation under the Securities and Futures Ordinance for Types 4 and 9 regulated activities (CE No. ABO798). CIAM manages clients' funds according to their investment objectives. Through flexible and diversified investment strategies, CIAM seeks to achieve steady income growth and capital appreciation for the funds under management.

Farallon Investors

Dazbog Holdings AFC Limited, Dazbog Holdings BFC Limited, Dazbog Holdings CFC Limited, Dazbog Holdings EFC Limited, Dazbog Holdings HFC Limited, Dazbog Holdings MFC Limited and Dazbog Holdings VFC Limited (together, the "**Farallon Investors**") have agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) in aggregate which may be purchased for an aggregate amount of US$10.0 million (equivalent to HK$ 77.5 million) at the Offer Price. Assuming an Offer Price of HK$2.88, HK$3.105 and HK$3.33, being the low end, mid-point and high-end, respectively, of the Offer Price range set out in this prospectus, the total number of Shares that the Farallon Investors would subscribe for in aggregate would be 26.9 million, 25.0 million and 23.3 million, respectively, representing (i) approximately 1.35%, 1.25% and 1.16%, respectively, of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, or, (ii) approximately 1.30%, 1.20% and 1.12%, respectively, of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised, without taking into account any Shares that may be issued pursuant to the options granted under the Pre-IPO Share Option Scheme and any options that may be granted under the Share Option Scheme in each case.

Each of the Farallon Investors is owned by investment funds and accounts managed by Farallon Capital Management, L.L.C. ("**Farallon**"). Farallon is a global institutional asset management firm that manages equity capital for institutions, including college endowments, charitable foundations and pension plans, and for high net worth individuals. Farallon is headquartered in San Francisco and has offices in London, Singapore, Hong Kong, Tokyo and São Paulo. Farallon invests globally across asset classes. Farallon has been a registered investment adviser with the United States Securities and Exchange Commission.

CONDITIONS PRECEDENT

The subscription obligations of the Cornerstone Investors are subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and become effective and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified therein;

(b) the Listing Committee having granted the listing of, and permission to deal in, the Shares; and

(c) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during a period of six months following the Listing Date, dispose of (as defined in the respective cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the respective cornerstone investment agreement or, where applicable, any interest in any company or entity holding any such Shares. The Cornerstone Investors may transfer the Shares so subscribed in certain limited circumstances as set out in the respective cornerstone investment agreements, such as transfer to its group company (as defined in the respective cornerstone investment agreement), provided that such group company undertakes by deed, and the relevant Cornerstone Investor undertakes to procure, that such group company to be bound by the relevant Cornerstone Investor's obligations under the respective cornerstone investment agreement.

Without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme, our Company's issued share capital immediately following completion of the Capitalization Issue and the Global Offering will be as follows:

Authorized share capital:		**(US$)**
20,000,000,000	Shares	200,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalization Issue and the Global Offering:

(Shares)		**(US$)**	**Approximately percentage of issued share capital**
10,000	Share in issue as at the date of this prospectus	100	0.0005%
1,499,990,000	new Shares to be issued under the Capitalization Issue	14,999,900	74.9995%
500,000,000	new Shares to be issued under the Global Offering (excluding 75,000,000 Shares under the Over-allotment Option)	5,000,000	25%
2,000,000,000	Shares in total	20,000,000	100%

ASSUMPTIONS

The table above assumes the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (i) any Shares issued upon exercise of options granted under the Pre-IPO Share Option Scheme and which may be granted under our Share Option Scheme; (ii) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (iii) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Offer Shares and the Shares to be issued pursuant to the Over-allotment Option will rank pari passu with all Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general and unconditional mandate to allot or issue and deal with Shares with an aggregate nominal value of not more than:

(i) 20% of the total nominal amount of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option (excluding any Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme); and

(ii) the total nominal amount of Shares repurchased by our Company pursuant to the mandate referred to in the paragraph "General mandate to repurchase Shares" below.

This general mandate will expire:

(i) at the conclusion of the next general meeting of our Company;

(ii) at the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out in "Statutory and General Information — Further Information about our Company and our Subsidiaries — 3. Written resolutions of our Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option (excluding any Shares which may be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information — Further Information about our Company and our subsidiaries" in Appendix V to this prospectus.

This mandate will expire:

(i) at the conclusion of the next general meeting of our Company;

(ii) at the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out in "Statutory and General Information — Further Information about our Company and our Subsidiaries — 3. Written resolutions of our Shareholders" in Appendix V to this prospectus.

THE PRE-IPO SHARE OPTION SCHEME

On March 10, 2013, we adopted the Pre-IPO Share Option Scheme, under which certain Directors, senior management and employees of our Group have been granted options prior to the Listing Date to subscribe Shares. The principal terms of the Pre-IPO Share Option Scheme and particulars of the options granted are set out in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

THE SHARE OPTION SCHEME

On December 3, 2013, we conditionally adopted the Share Option Scheme. Summaries of each of the principal terms of the Share Option Scheme are set out in "Statutory and General Information — Share Option Scheme" in Appendix V to this prospectus.

INSPECTION OF BOOKS AND RECORDS

Our Shareholders will have no general right under the Companies Law to inspect or obtain copies of our register of members or corporate records. They will, however, have the rights set out in our Articles.

TRANSFER OF SHARES

There is no provision in the Companies Law and the Articles which prohibits the transfer of Shares by the Shareholders.

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial information as of and for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 and, in each case, the related notes set out in the "Accountant's Report" included as Appendix I to this prospectus. Our audited consolidated financial information have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to, those set forth under "Risk Factors" in this prospectus.

Overview

We were the largest provider of death care services in the PRC in terms of revenue and geographic coverage in the years ended December 31, 2010, 2011 and 2012, according to Euromonitor. We were one of the first private sector company entrants into the PRC death care services industry when we began operating a cemetery in Shanghai in 1994. Through almost 20 years of growth in our operations and enhancement of the quality of our services, we have expanded our operations to provide premium death care services in major cities in eight provinces of the PRC. We believe we have become a leader in the death care services industry and that our emphasis on the quality of our death care services have made us a benchmark of the industry that others seek to emulate. This is exemplified by our cooperation with certain PRC governmental entities to be the provider of training to other industry participants.

We generally derive our revenue from burial services and funeral services. For our burial services, we generate revenue mainly from the sale of burial plots, which includes (i) the right to use the burial plots, (ii) tombstones, gravemarkers and other memorials to be used on burial plots, and (iii) other services such as the organization and conducting of burial rituals, and the design and landscaping of the burial plots. In addition, we also generate revenue from our cemetery maintenance services, which includes ongoing fees for maintaining burial plots and management fees for our cemeteries. We also generate revenue from the sale of other burial related products and services, such as design services, tombstone engraving, sculptures and flowers. For our funeral services, we generate revenue from planning, organizing and conducting funerals, including among others, the transportation of the deceased to the funeral facilities, cosmetological services, keeping of vigils, the performance of religious rituals and ceremonies, catering and post-funeral services.

Our burial services include a range of customization options, such as selecting the particular landscape for the burial plot and the style of the memorial to be used. The memorials we sell are designed and produced in-house by our professional designers and sculptors and are fully customizable, with options ranging from traditional memorials to customized life-sized sculptures. Additionally, we offer customers a range of burial services which we provide according to our customers' personal and religious requirements. For customers who choose for their family members not to be buried in a burial plot, cremains are stored in our cremation niches in the columbariums located in our cemeteries. We believe that the combination of our beautifully landscaped cemeteries and our personalized and customized burial services has allowed us to demand a price premium for our burial services.

We offer a complete range of funeral services at our funeral facilities, from the initial planning of the funeral arrangements and interment to the organization and hosting of the funeral, including the transportation of the deceased to the funeral facility, cosmetological services, keeping of vigils, the performance of religious rituals and ceremonies, catering, and post-funeral services, such as consultation services with respect to cremation and burial. In addition to the set of funeral packages which we offer, our customers are able to personalize the funeral arrangements through the value-added services we offer, such as video presentations on the life of the deceased, customized wreaths and flower arrangements and specially prepared decorations for display at the funeral. All of our operating staff have received specialized training in providing funeral services and are also trained to be attentive to the needs of our customers in the process of planning and providing funeral services. We believe that our expertise in providing funeral services, gained from almost 20 years of experience in the industry, our specially trained operating staff, and our customized funeral services have allowed us to provide a comforting funeral atmosphere and experience for our customers, resulting in higher customer satisfaction and differentiating us from other funeral services providers.

Our cemeteries and funeral facilities are strategically located in eight major cities in the PRC and we draw customers, not only from those cities, but also from surrounding areas. We own and operate two cemeteries in Shanghai and one cemetery in each of Hefei in Anhui Province, Zhengzhou in Henan Province, Jinan in Shandong Province and Jinzhou in Liaoning Province. We operate two funeral facilities in Chongqing and one funeral facility in each of Shanghai, Hefei, and Xiamen in Fujian Province. We have established a company in Ningbo and are in the process of procuring a suitable site to establish a funeral facility in that locality.

We experienced significant growth during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our revenue was RMB350.5 million, RMB421.4 million, RMB480.0 million and RMB306.7 million, respectively. For the same periods, we had profit and total comprehensive income for the year/period of RMB113.7 million, RMB141.6 million, RMB138.2 million and RMB118.1 million, respectively.

BASIS OF PRESENTATION

In preparation for the Listing, certain equity transactions and transfers have been processed among certain shareholders and the Group in the entities engaged in the core business through the Reorganization, which involved the (i) formation of the Company and the intermediate holding companies; (ii) the insertion of the Company and the intermediate holding companies between the core business and the shareholders; and (iii) the transfer of the legal ownership previously held through nominees to the Group's entities. Upon the completion of the Reorganization on February 14, 2013, the Company became the holding company of its subsidiaries. The Reorganization has been arranged in a way that enables certain shareholders to maintain their respective beneficial ownership interests in the core business in the same manner before and after the Reorganization. For more details, see Part A, Financial Information, note 2 to the "Accountant's Report" included as Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control, including but not limited to, those set forth below.

Ability to acquire suitable land for future development

Our continued growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. Over recent years, land premiums have generally been increasing in the PRC. It is widely expected that land premiums will continue to rise as the PRC economy continues to grow and demolition and resettlement costs continue to increase. We acquire our land for cemetery development in three ways: (i) through merger with and acquisition of suitable burial service providers with sufficient land for cemetery development; (ii) by acquiring land selectively in various target cities; and (iii) by acquiring land adjacent to our existing cemeteries for cemetery expansion. We expect the competition among burial service providers for land suitable for cemetery development to intensify overall and, in particular, in certain cities in which we operate. Our ability to acquire more land at reasonable prices is critical for our future growth and any inability to do so may adversely affect our results of operations.

Pricing of our death care services and our ability to maintain profit margins

The prices we are able to obtain for our services affect our results of operations and financial condition. In determining the pricing of our services, we consider the following factors: (i) the cost of sales and services; (ii) whether there are relevant PRC Government price controls; (iii) the nature of the services and their relative complexity; (iv) the reasonable profit margin to the Group for such services; (v) for burial services, the location of the burial plot or cremation niche; and (vi) the prices of other death care services providers in the same location for such services. We market our services as premium services and also promote our Fu Shou Yuan brand in order to allow us to obtain a price premium over other death care services providers. Furthermore, we operate in highly localized and competitive markets and the competition in the markets in which we operate affects the price we are able to obtain for our services. For more details, see "Risk Factors — Risks Relating to Our Business — We may not be able to sustain premium pricing for our death care service offerings, which may adversely affect our profit margins."

Location, product and service mix

Our revenue and gross profit for a given period are affected by changes to the proportions of our total revenue and costs contributed by the various locations in which we have operations. We had cemeteries and funeral facilities in major cities across eight provinces in the PRC as of June 30, 2013. We generate different revenue levels and have different profit margins in different locations in which we operate. For example, the average prices of the burial plots we sell, as well as the profit margins, are relatively high in Shanghai. For the years ended December 2010, 2011 and 2012 and the six months ended June 30, 2013, we generated revenue from our operations in Shanghai in the amounts of RMB240.0 million, RMB273.6 million, RMB279.8 million and RMB184.2 million, respectively, representing 68.5%, 64.9%, 58.3% and 60.1% of our total revenue for the relevant periods, respectively. We intend to further expand our death care services to other geographic locations in the PRC. As we expand into new regions, particularly less developed regions, we may not be able to obtain similar revenue levels and profit margins, which may affect our overall results of operations.

For our burial services, we offer a variety of types of burial plots for sale, including customized, artistic, traditional, lawn, green and indoor burial plots. Different types of burial plots have different prices and profit margins. Our customized and artistic burial plots generally have relatively high profit margins, while our traditional burial plots have relatively low profit margins. As such, the composition of our sales by product for a given period affects our profit margins and overall results of operations for that period.

We generally derive our revenue from burial services and funeral services. The respective proportions of our revenue coming from these two services were relatively stable during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we generated 86.4%, 87.2%, 87.3% and 87.9% of our revenue from burial services and 13.6%, 12.8%, 12.7% and 12.1% of our revenue from funeral services, respectively. In general, the gross profit margin of our burial services is higher than that of our funeral services. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our gross profit margin was 82.0%, 83.1%, 81.7% and 81.8% for burial services and 72.0%, 70.9%, 71.8% and 69.7% for funeral services, respectively. As such, changes in our service mix may affect our profit margins and overall results of operation.

Overall demand for our services

Demand for our services and growth in our revenue are driven by overall demand for death care services in the PRC. According to Euromonitor, the PRC death care services industry is the largest and one of the fastest growing death care services industries in the world. According to Euromonitor, the total number of deaths in the PRC grew from 9.4 million in 2008 to 9.7 million in 2012 and is expected to reach 10.4 million by 2017. This upward trend will result in an increased demand for death care services. Demand for our services and growth in our revenue are also driven by overall spending on death care services in the PRC which, in turn, is significantly influenced by the general economic condition and the pace of overall economic growth in the PRC. In addition, Chinese values and culture place a strong emphasis on honoring and showing respect for one’s ancestors. In tandem with the rising number of deaths and strong economic development in the PRC, together with the concomitant increase in the disposable income of the Chinese population, spending on high quality death care services in the PRC has experienced rapid growth in recent years. According to Euromonitor, average spending per cremation on death care services in the PRC was RMB10,078.8 in 2012, representing a 60.9% increase compared to that of 2008. Demand for our services may also be affected by consumers’ ability to pay for high quality death care services. Demand for our services will continue to affect our business growth and results of operations.

Access to and cost of financing

We require capital investment for land acquisition, cemetery construction and to provide our funeral services. Historically we have financed our capital requirements through a combination of internally generated funds, shareholder loans and other credit facilities. In the future, we expect to fund our capital expenditure, working capital and other cash requirements from cash generated from our operations, the net proceeds from the Global Offering and bank and other borrowings. Our ability to obtain financing and our cost of financing are affected by a number of factors including general economic conditions, our leverage ratios and changes in interest rates for bank borrowings. Our ability to secure financing and our cost of financing affect our ability to provide death care services and our operational results.

CRITICAL ACCOUNTING POLICIES

We have identified below the accounting policies which we believe are the most critical to our consolidated financial statements. Our significant accounting policies are set forth in detail in part A, Financial Information, Note 4 to the "Accountant's Report" included as Appendix I to this prospectus. These accounting policies require subjective and complex judgments by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Certain accounting estimates are particularly sensitive because of their significance to our consolidated financial statements. The estimates and associated assumptions are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. The key assumptions concerning the future, and other key sources of estimation uncertainty, that carry a significant risk of requiring a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed in more detail in part A, Note 5 to the "Accountant's Report" included as Appendix I to this prospectus. We review our estimates and underlying assumptions on an ongoing basis.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

We enter into contracts with our customers for the provision of burial services, which include the sale of burial plots and cemetery maintenance services.

Revenue from the sale of burial plots is recognized when the right to use burial plots has passed, at which time all the following conditions have been satisfied:

- we have transferred to the buyer the significant risks and rewards of the burial plots;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the burial plots sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Our sale of burial plots represents the sale of the rights to use those burial plots, for which revenue is recognized when the right to use burial plots have been transferred to the customer, which is upon signing of the sales contract and receipt of payment in full from the customer.

Revenue from the provision of cemetery maintenance services is deferred and amortized on a straight-line basis over the remaining service period. The contract price for the cemetery maintenance services is based on a nominal amount, which does not represent the fair value of such services. We estimate the fair value of the cemetery maintenance services income to be deferred based on the expected cost of providing such cemetery maintenance services plus a reasonable margin, less total future maintenance fees to be received.

Funeral service income is recognized when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to us and the amount of revenue can be measured reliably).

Property and equipment

Property and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of items of property and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to the initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses or revalued amounts, which are their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Impairment of investment in a subsidiary, tangible and intangible assets

At the end of the reporting period, we review the carrying amounts of our investment in a subsidiary, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories include cemetery assets developed and ready for sale, cemetery assets under development, and tombstones and urns. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cemetery assets

Cemetery assets consist of prepaid lease payments, cost of initial land development and cost of landscaping for the general public areas of the cemetery, and are carried at cost less accumulated amortization and any accumulated impairment losses prior to the commencement of development. Amortization of cemetery assets is done on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in profit or loss.

Upon commencement of development of the cemetery with the intention of sale in our ordinary course of business, the related carrying amounts of cemetery assets attributable to the cemetery are transferred to inventories.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Our Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" and is amortized over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in our financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of our assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

RESULTS OF OPERATIONS

The following table sets forth selected items from our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	350,470	421,420	479,977	232,484	306,656
Cost of sales and services	(67,783)	(77,628)	(93,659)	(47,001)	(60,217)
Gross profit	282,687	343,792	386,318	185,483	246,439
Other income and gains, net	3,217	18,845	9,789	6,130	29,650
Distribution and selling expenses	(57,900)	(71,778)	(95,214)	(52,816)	(52,586)
Administrative expenses	(75,124)	(103,062)	(104,062)	(45,509)	(50,519)
Finance costs	(5,870)	(8,615)	(10,837)	(5,486)	(5,351)
Other expenses	—	—	—	—	(8,298)
Share of profits of associates	6,225	9,366	8,638	4,675	—
Profit before taxation	153,235	188,548	194,632	92,477	159,335
Income tax expense	(39,567)	(46,973)	(56,431)	(23,750)	(41,198)
Profit and total comprehensive income for the year/period	**113,668**	**141,575**	**138,201**	**68,727**	**118,137**
Total comprehensive income attributable to:					
Owners of the Company	104,253	130,692	124,270	63,654	99,595
Non-controlling interests	9,415	10,883	13,931	5,073	18,542
	113,668	141,575	138,201	68,727	118,137

CERTAIN INCOME STATEMENT ITEMS

Revenue

Our revenue for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was RMB350.5 million, RMB421.4 million, RMB480.0 million and RMB306.7 million, respectively. We derive our revenue primarily from two business segments: burial services and funeral services.

For our burial services, we derive revenue mainly from the following:

- Sale of burial plots, which includes (i) the sale of the right to use the burial plots, (ii) tombstones, gravemarkers and other memorials to be used in burial plots and (iii) other services such as the organization and conducting of burial rituals, and the design and landscaping of the burial sites, flower sales and additional engraving fees.

- Cemetery maintenance services, which consist of ongoing fees for maintaining burial plots and management fees for our cemeteries.

For our funeral services, we generate revenue from planning, organizing and conducting funerals, including, among others, the transportation of the deceased to the funeral facilities, cosmetological services, keeping of vigils, the performance of religious rituals and ceremonies, catering and post-funeral services.

The following table sets forth our revenue by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Burial services	302,679	86.4%	367,555	87.2%	418,860	87.3%	199,392	85.8%	269,553	87.9%
Funeral services	47,791	13.6%	53,865	12.8%	61,117	12.7%	33,092	14.2%	37,103	12.1%
Total	**350,470**	**100.0%**	**421,420**	**100.0%**	**479,977**	**100.0%**	**232,484**	**100.0%**	**306,656**	**100.0%**

We derive a substantial portion of our revenue from our burial services, which represented 86.4%, 87.2%, 87.3% and 87.9% of our total revenue for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our burial services include the sale of burial plots and cemetery maintenance services. Sale of burial plots represented the largest component of our revenue from burial services, which contributed 98.4%, 98.2%, 98.1% and 97.8% of our revenue from burial services for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our revenue from the sale of burial plots for a given period is dependent upon the number of units we sell during the period, as well as the average price of the units sold during the period. The following table sets forth a breakdown of our revenue from burial services, including revenue from the sale of burial plots by type and revenue from cemetery maintenance services and others, for the periods indicated:

	Year ended December 31,												Six months ended June 30,							
	2010				2011				2012				2012				2013			
	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services	No. of units	Average selling price	Revenue	% of revenue from burial services
		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000)	(%)		(RMB/ per unit)	(RMB'000) (unaudited)	(%)		(RMB/ per unit)	(RMB'000)	(%)
Burial Services																				
Sale of burial plots																				
Customized.	513	171,979	88,225	29.1%	561	230,307	129,202	35.2%	544	259,770	141,315	33.7%	256	250,242	64,062	32.1%	313	249,051	77,953	28.9%
Artistic . .	1,412	63,946	90,292	29.8%	1,871	51,136	95,675	26.0%	1,228	89,602	110,031	26.3%	719	82,955	59,645	29.9%	1,134	76,315	86,541	32.1%
Traditional .	501	101,353	50,778	16.8%	653	93,482	61,044	16.6%	1,749	49,138	85,943	20.5%	537	61,778	33,175	16.6%	1,143	42,349	48,405	18.0%
Lawn . . .	1,107	29,312	32,448	10.7%	607	59,708	36,243	9.9%	731	48,873	35,726	8.5%	464	44,097	20,461	10.3%	359	57,769	20,739	7.7%
Green . . .	258	13,667	3,526	1.2%	273	10,103	2,758	0.8%	348	8,977	3,124	0.7%	213	7,700	1,640	0.8%	280	11,257	3,152	1.2%
Indoor . . .	250	15,436	3,859	1.3%	277	16,285	4,511	1.2%	189	25,175	4,758	1.1%	88	28,091	2,472	1.2%	230	22,665	5,213	1.9%
Others burial-related services.	—	—	28,563	9.5%	—	—	31,601	8.5%	—	—	30,085	7.3%	—	—	13,681	7.0%	—	—	21,752	8.0%
	4,041		297,691	98.4%	4,242		361,034	98.2%	4,789		410,982	98.1%	2,277		195,136	97.9%	3,459		263,755	97.8%
Cemetery maintenance services . .	—	—	4,988	1.6%	—	—	6,521	1.8%	—	—	7,878	1.9%	—	—	4,256	2.1%	—	—	5,798	2.2%
Total	**4,041**	—	**302,679**	**100.0%**	**4,242**	—	**367,555**	**100.0%**	**4,789**	—	**418,860**	**100.0%**	**2,277**	—	**199,392**	**100.0%**	**3,459**	—	**269,553**	**100.0%**

Our cemeteries and funeral facilities are strategically located in major cities across eight provinces in the PRC, and we derived our revenue from six cities and/or provinces during the Track Record Period. The following table sets forth a breakdown of our revenue by region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Shanghai	239,969	68.5%	273,592	64.9%	279,849	58.3%	136,739	58.8%	184,192	60.1%
Henan	23,450	6.7%	26,605	6.3%	29,507	6.1%	15,416	6.6%	17,097	5.6%
Chongqing	40,615	11.6%	39,505	9.4%	42,762	8.9%	24,344	10.5%	25,828	8.4%
Anhui	46,436	13.2%	57,559	13.7%	61,308	12.8%	30,549	13.1%	35,404	11.5%
Shandong(1)	—	—	24,159	5.7%	35,350	7.4%	17,415	7.5%	18,310	6.0%
Liaoning(2)	—	—	—	—	31,201	6.5%	8,021	3.5%	24,943	8.1%
Fujian(3)	—	—	—	—	—	—	—	—	882	0.3%
Total	**350,470**	**100.0%**	**421,420**	**100.0%**	**479,977**	**100.0%**	**232,484**	**100.0%**	**306,656**	**100.0%**

Notes:

(1) We increased our equity interest in Shandong FSY Development from 40% to 50% in March 2011 and it then became our subsidiary, and its results of operations have been consolidated by us since then.

(2) We acquired Jinzhou Maoshan Anling in May 2012, and its results of operations have been consolidated by us since then.

(3) Xiamen Huaixiang commenced funeral services in February 2013.

The following table sets forth the breakdown of our revenue for the sale of burial plots by cemetery for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Revenue	% of revenue from the sale of burial plots	Revenue	% of revenue from the sale of burial plots	Revenue	% of revenue from the sale of burial plots	Revenue	% of revenue from the sale of burial plots	Revenue	% of revenue from the sale of burial plots
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Shanghai Fu Shou Yuan (上海福壽園)	235,496	79.2%	265,519	73.5%	268,460	65.3%	131,567	67.5%	134,330	51.0%
Haigang Fu Shou Yuan (海港福壽園)[(1)]	—	—	—	—	—	—	—	—	42,445	16.1%
Henan Fu Shou Yuan (河南福壽園)	23,354	7.8%	26,437	7.3%	29,256	7.1%	15,296	7.8%	16,954	6.4%
Shandong Fu Shou Yuan (山東福壽園)[(2)]	—	—	24,091	6.7%	35,269	8.6%	17,378	8.9%	18,227	6.9%
Hefei Dashushan Cultural Cemetery (合肥大蜀山文化陵園).	38,841	13.0%	44,987	12.5%	46,796	11.4%	22,874	11.7%	27,223	10.3%
Jinzhou Maoshan Anling (錦州市帽山安陵)[(3)]	—	—	—	—	31,201	7.6%	8,021	4.1%	24,576	9.3%
Total	**297,691**	**100.0%**	**361,034**	**100.0%**	**410,982**	**100.0%**	**195,136**	**100.0%**	**263,755**	**100.0%**

Notes:

(1) We acquired control of Shanghai Nanyuan in January 2013 and its results of operations have been consolidated by us since then.

(2) We increased our equity interest in Shandong FSY Development from 40% to 50% in March 2011 and it then became our subsidiary, and its results of operations have been consolidated by us since then.

(3) We acquired Jinzhou Maoshan Anling in May 2012, and its results of operations have been consolidated by us since then.

Cost of Sales and Services

Cost of sales and services consists primarily of the costs we incur in relation to our death care services. Our cost of sales and services for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was RMB67.8 million, RMB77.6 million, RMB93.7 million and RMB60.2 million, respectively.

The following table sets forth information relating to our cost of sales and services by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Cost of sales and services	% of total cost of sales and services	Cost of sales and services	% of total cost of sales and services	Cost of sales and services	% of total cost of sales and services	Cost of sales and services	% of total cost of sales and services	Cost of sales and services	% of total cost of sales and services
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Burial services	54,415	80.3%	61,980	79.8%	76,453	81.6%	37,325	79.4%	48,972	81.3%
Funeral services	13,368	19.7%	15,648	20.2%	17,206	18.4%	9,676	20.6%	11,245	18.7%
Total	**67,783**	**100.0%**	**77,628**	**100.0%**	**93,659**	**100.0%**	**47,001**	**100.0%**	**60,217**	**100.0%**

Our cost of sales and services for burial services includes the following:

- Tombstone cost, which represents the cost of the tombstones used for burial plots.

- Land cost, which represents the cost to acquire land for development into cemeteries and surrounding areas.

- Development cost, which represents the overall expenditure incurred to convert the land into saleable burial plots, including planning and design expenditures and landscaping expenditures.

- Landscaping facility cost, which represents the depreciation and amortization expenses related to the construction of arbors and bridges in the mausoleum.

- Cemetery maintenance cost, which represents the cost for the ongoing landscaping and maintenance of the burial plots.

- Others, which represents costs for design services, tombstone engraving, sculptures, flowers, labor, sales taxes and other incidental expenses.

The following table sets forth a breakdown of the cost of sales and services for our burial services for the periods indicated:

	Year ended December 31,						Six months ended June 2013,			
	2010		2011		2012		2012		2013	
	Cost of sales and services	% of cost of sales and services for burial services	Cost of sales and services	% of cost of sales and services for burial services	Cost of sales and services	% of cost of sales and services for burial services	Cost of sales and services	% of cost of sales and services for burial services	Cost of sales and services	% of cost of sales and services for burial services
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Tombstone cost	16,588	30.5%	20,537	33.1%	25,535	33.4%	14,659	39.3%	18,009	36.8%
Land cost	2,162	4.0%	3,665	5.9%	7,807	10.2%	3,482	9.3%	4,416	9.0%
Development cost	13,159	24.2%	13,210	21.3%	15,610	20.4%	6,622	17.7%	10,839	22.1%
Landscaping facility cost	864	1.6%	846	1.4%	2,196	2.9%	1,170	3.1%	464	0.9%
Cemetery maintenance cost	4,553	8.4%	6,195	10.0%	6,859	9.0%	3,645	9.8%	4,427	9.0%
Others	17,089	31.3%	17,527	28.3%	18,446	24.1%	7,747	20.8%	10,817	22.2%
Total	**54,415**	**100.0%**	**61,980**	**100.0%**	**76,453**	**100.0%**	**37,325**	**100.0%**	**48,972**	**100.0%**

Our cost of sales and services for funeral services represents the various expenditures incurred in relation to providing funeral services, including our operating staff costs, cost of caskets and other ancillary costs related to the provision of funeral services.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and services. Our gross profit for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was RMB282.7 million, RMB343.8 million, RMB386.3 million and RMB246.4 million, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Burial services	248,264	82.0%	305,575	83.1%	342,407	81.7%	162,067	81.3%	220,581	81.8%
Funeral services	34,423	72.0%	38,217	70.9%	43,911	71.8%	23,416	70.8%	25,858	69.7%
Total	**282,687**	**80.7%**	**343,792**	**81.6%**	**386,318**	**80.5%**	**185,483**	**79.8%**	**246,439**	**80.4%**

Our overall gross profit margin for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 80.7%, 81.6%, 80.5% and 80.4%, respectively. Our net profit margin for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 32.4%, 33.6%, 28.8% and 38.5%, respectively. Our relatively high gross profit margins and net profit margins during the Track Record Period were primarily due to (i) the relatively high gross profit margins and net profit margins in the death care industry; and (ii) our ability to provide premium and high-quality death care services. In addition, our strategy of acquiring low-cost land in providing our burial services also contributed to our high gross profits margins and net profit margins during the Track Record Period. Our land cost represented 4.0%, 5.9%, 10.2% and 9.0% of our total cost of sales and services for our burial services for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

Distribution and Selling Expenses

Distribution and selling expenses consist of salary and staff costs for our sales and distribution staff costs, commissions, advertisement and promotion expenses, travel expenses, business development expenses, leasing expenses and others. Salary and staff costs represented 47.2%, 41.9%, 48.1% and 40.0% of our distribution and selling expenses for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Commissions represented 21.9%, 28.2%, 22.1% and 29.4% of our distribution and selling expenses for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our commissions are paid to both internal and external sales agents. We set the rate of our commissions based on local market standards and we believe the rates of the commissions we pay are in line with local average market standards. Our distribution and selling expenses for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were RMB57.9 million, RMB71.8 million, RMB95.2 million and RMB52.6 million, respectively.

The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Distribution and selling expenses	% of total distribution and selling expenses	Distribution and selling expenses	% of total distribution and selling expenses	Distribution and selling expenses	% of total distribution and selling expenses	Distribution and selling expenses	% of total distribution and selling expenses	Distribution and selling expenses	% of total distribution and selling expenses
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Salary and staff costs	27,307	47.2%	30,060	41.9%	45,765	48.1%	25,072	47.5%	21,053	40.0%
Commissions	12,671	21.9%	20,248	28.2%	21,062	22.1%	13,837	26.2%	15,460	29.4%
Advertisement and promotion	3,236	5.6%	4,440	6.2%	6,941	7.3%	3,628	6.9%	4,136	7.9%
Travel	2,260	3.9%	3,176	4.4%	3,519	3.7%	1,651	3.1%	2,389	4.5%
Business development	7,718	13.3%	8,655	12.1%	10,882	11.4%	4,813	9.1%	4,854	9.2%
Leasing	1,355	2.3%	1,450	2.0%	2,319	2.4%	1,110	2.1%	1,654	3.1%
Others	3,353	5.8%	3,749	5.2%	4,726	5.0%	2,705	5.1%	3,040	5.9%
Total	**57,900**	**100.0%**	**71,778**	**100.0%**	**95,214**	**100.0%**	**52,816**	**100.0%**	**52,586**	**100.0%**

Administrative Expenses

Administrative expenses consist of salary and staff costs for our administrative staff, travel and business development expenses, depreciation and amortization expenses of property and equipment, consulting fees, meeting and conference related expenses, leasing expenses and others. Our administrative expenses for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were RMB75.1 million, RMB103.1 million, RMB104.1 million and RMB50.5 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Administrative expenses	% of total administrative expenses	Administrative expenses	% of total administrative expenses	Administrative expenses	% of total administrative expenses	Administrative expenses	% of total administrative expenses	Administrative expenses	% of total administrative expenses
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Salary and staff costs	43,588	58.0%	53,581	52.0%	50,847	48.9%	24,027	52.8%	28,009	55.4%
Travel and business development	9,402	12.5%	13,548	13.1%	16,688	16.0%	5,876	12.9%	8,574	17.0%
Depreciation and amortization	7,178	9.6%	6,715	6.5%	10,891	10.5%	5,122	11.3%	6,967	13.8%
Consulting fees	6,707	8.9%	19,114	18.5%	17,730	17.0%	7,257	15.9%	415	0.8%
Meeting and conference	2,165	2.9%	2,970	2.9%	3,017	2.9%	1,063	2.3%	1,107	2.2%
Leasing	2,065	2.7%	2,795	2.7%	3,129	3.0%	1,720	3.8%	1,742	3.4%
Others	4,019	5.4%	4,339	4.3%	1,760	1.7%	444	1.0%	3,705	7.4%
Total	**75,124**	**100.0%**	**103,062**	**100.0%**	**104,062**	**100.0%**	**45,509**	**100.0%**	**50,519**	**100.0%**

Consulting fees consist of the fees paid to our auditor, legal advisors and other professional parties. Part of the consulting fees incurred in 2011 and 2012 were related to the litigation between us and China Healthcare.

Other Expenses

Other expenses of RMB8.3 million for the six months ended June 30, 2013 represented initial public offering expenses for the Global Offering.

Other Income and Gains — Net

Other income and gains (net) consist of interest income on bank deposits, interest income on borrowings to related parties, interest income on borrowings to independent third parties, government grant, investment income from investments held for trading, net gain (loss) on disposal of property and equipment, donation, gain on deemed disposal of an associate, compensation and others. Our net other income and gains for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were RMB3.2 million, RMB18.8 million, RMB9.8 million and RMB29.7 million, respectively.

The following table sets forth a breakdown of our net other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Other income:					
Interest income on bank deposits	865	1,639	2,667	1,165	2,114
Interest income on borrowings to related parties	564	300	2,275	1,138	238
Interest income on borrowings to independent third parties	1,338	3,539	2,362	1,267	816
Government grant	—	—	3,281	2,835	5,356
Investment income from investments held for trading	1,084	109	—	—	—
	3,851	5,587	10,585	6,405	8,524
Net gains and losses:					
Net gain (loss) on disposal of property and equipment	3	89	65	(2)	701
Donation	(649)	(821)	(811)	(254)	(220)
Gain on deemed disposal of an associate	—	13,872	—	—	16,428
Compensation	—	—	—	—	3,952
Others	12	118	(50)	(19)	265
	(634)	13,258	(796)	(275)	21,126
Other income and gains, net	**3,217**	**18,845**	**9,789**	**6,130**	**29,650**

Interest income on borrowings to related parties represents interest received on our borrowings to Zhongfu and Shandong FSY Development. The amount due from Zhongfu was RMB30.3 million, RMB10.5 million and RMB10.7 million as of December 31, 2011 and 2012 and June 30, 2013, respectively, with fixed interest rates at 6.56%, 6.00% and 6.00% per annum as of December 31, 2011 and 2012 and June 30, 2013, respectively. Our interest income on borrowings to Zhongfu were RMB300,000, RMB2.3 million and RMB0.2 million for the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, respectively. The amount due from Zhongfu of RMB10.7

million as of June 30, 2013 was fully paid off in September 2013. Our interest income on borrowings to Shandong FSY Development were RMB564,000, nil, nil and nil for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. We increased our equity interest in Shandong FSY Development from 40% to 50% in March 2011 and it therefore became our subsidiary. As its results of operations began to be consolidated with those of our Group in March 2011, the borrowings were reclassified as intra-group borrowings and did not appear in our Group's consolidated results of operations for the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013.

Interest income on borrowings to independent third parties represents interest on our borrowings to an independent third party, Jinfu Waitan. Such borrowings were paid off in July 2013.

Government grant in the amount of RMB3.3 million in 2012 and in the amount of RMB5.4 million for the six months ended June 30, 2013 represented unconditional tax subsidies from the local government to encourage economic development.

Donation mainly represents our donations to local schools to assist underprivileged students.

Gain on deemed disposal of an associate of RMB13.9 million in 2011 represented a gain recognized in connection with our original 40% equity interest in Shandong FSY Development. When we increased our equity interest in Shandong FSY Development from 40% to 50% in March 2011, Shandong FSY Development became our subsidiary, which resulted in our original 40% equity interest in Shandong FSY Development being deemed to have been disposed of and a gain was recorded from the deemed disposal. Gain on deemed disposal of an associate of RMB16.4 million in the six months ended June 30, 2013 represented a gain recognized in connection with our acquisition of control of Shanghai Nanyuan. On January 4, 2013, Shanghai FSY Industry Development, our wholly-owned subsidiary holding a 40% equity interest in Shanghai Nanyuan, entered into an agreement with the other equity holders of Shanghai Nanyuan. Pursuant to that agreement, the other equity holders of Shanghai Nanyuan assigned irrecoverable rights to Shanghai FSY Industry Development to direct the relevant activities of Shanghai Nanyuan unilaterally. As such, we gained control of Shanghai Nanyuan and it became our subsidiary, which resulted in our 40% equity interest in Shanghai Nanyuan being deemed to have been disposed of and reacquired. A gain was recorded from the deemed disposal.

Compensation of RMB4.0 million in the six months ended June 30, 2013 represented the amount we received from a settlement of litigation between us and China Healthcare.

Finance Costs

Finance costs consist of interest expense on bank loans wholly repayable within five years, interest expense on borrowings from related parties, interest expense on loans from non-controlling interests and interest expense on borrowings from independent third parties, less capitalized interest. Our finance costs for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were RMB5.9 million, RMB8.6 million, RMB10.8 million and RMB5.4 million, respectively.

The following table sets forth information relating to our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Interest expense on bank loans wholly repayable within five years	1,234	2,498	3,882	1,596	2,595
Interest expense on borrowings from related parties	5,589	—	—	—	—
Interest expense on loans from non-controlling interests	—	3,583	4,848	2,443	2,213
Interest expense on borrowings from independent third parties	836	2,534	2,107	1,447	543
Less: capitalized interest	(1,789)	—	—	—	—
Total finance costs	**5,870**	**8,615**	**10,837**	**5,486**	**5,351**

Interest expense on borrowings from related parties and loans from non-controlling interests refers to our interest expense in connection with our borrowings from Zhongfu and the loans from Shandong World Trade Center by our subsidiary Shandong FSY Development. Our interest expense on borrowings from Zhongfu was RMB5.6 million, nil, nil and nil for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our interest expense on borrowings from Shandong World Trade Center was nil, RMB3.6 million, RMB4.8 million and RMB2.2 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. For more information on the loans from Shandong World Trade Center, see "Connected Transactions" in this prospectus.

Interest expense on borrowings from independent third parties was RMB0.8 million, RMB2.5 million, RMB2.1 million and RMB0.5 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. This refers to borrowings from an independent third party, Chongqing Zhonghan Xinye, by us which were subsequently lent to Jinfu Waitan in 2010. These borrowings were paid off in July 2013. For more details, see "— Indebtedness — Bank and Other Borrowings — Loans with Independent Third Parties" in this section.

Income Tax Expense

Our income tax expense for a given period includes provision made for PRC enterprise income tax ("**EIT**") and deferred income tax during the year. Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulations of the EIT Law, our PRC subsidiaries have been subject to the tax rate of 25% since January 1, 2008. The income tax rate of 25% was applicable to all of our Group's PRC subsidiaries during the Track Record Period with the exception of Chongqing Anle Services, which was subject to a lower concessionary income tax rate of 15% during the Track Record Period pursuant to preferential tax policies for development of China's western regions. This preferential tax treatment is subject to annual renewal. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our effective corporate income tax rates were 25.8%, 24.9%, 29.0% and 25.9%, respectively.

The following table sets forth our income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Current tax:					
PRC EIT	46,934	53,017	59,242	28,599	40,191
Deferred tax:					
Current year	(7,367)	(6,044)	(2,811)	(4,849)	1,007
	39,567	**46,973**	**56,431**	**23,750**	**41,198**

In Henan and Jinzhou, revenue derived from transferring the rights to use the burial plots is subject to a business tax of 5%. In other places where we operate, revenue derived from transferring the rights to use the burial plots is exempt from business tax. For more details, see "Risk Factors — Risks Relating to Our Business — Business tax may be levied on us for the revenue derive from transferring the rights to use the burial plots in certain provinces where we operate cemeteries."

Review of Historical Operating Results

Six months ended June 30, 2013 compared to six months ended June 30, 2012 (unaudited)

Revenue

Our revenue increased by RMB74.2 million, or 31.9%, from RMB232.5 million for the six months ended June 30, 2012 to RMB306.7 million for the six months ended June 30, 2013. This increase was primarily driven by a 35.2% increase in revenue from burial services and, to a lesser extent, a 12.1% increase in revenue from funeral services.

Revenue from burial services increased by RMB70.2 million, or 35.2%, from RMB199.4 million for the six months ended June 30, 2012 to RMB269.6 million for the six months ended June 30, 2013. This increase was primarily due to (i) an 51.9% increase in the total number of units sold for our burial services, from 2,277 for the six months ended June 30, 2012 to 3,459 for the six months ended June 30, 2013, mainly as a result of (a) our acquisition of control of Shanghai Nanyuan in January 2013, which contributed sales of burial plots with revenue of RMB42.4 million for the six months ended June 30, 2013, and (b) our acquisition of Jinzhou Maoshan Anling in May 2012, which contributed sales of burial plots with revenue of RMB24.6 million for the six months ended June 30, 2013, representing an increase of RMB16.6 million compared to the six months ended June 30, 2012; and (ii) general growth in revenue from our cemeteries in other locations, primarily driven by increases in the prices of certain types of the burial plots we sold.

Revenue from funeral services increased by RMB4.0 million, or 12.1%, from RMB33.1 million for the six months ended June 30, 2012 to RMB37.1 million for the six months ended June 30, 2013.

This increase was primarily due to (i) business growth in our funeral facilities in Shanghai due to enhanced sales efforts and an expansion of our service offering types, which contributed to an increase in revenue of RMB1.2 million for the six months ended June 30, 2013; (ii) Xiamen Huaixiang commencing provision of funeral services in February 2013, which contributed revenue of RMB0.9 million for the six months ended June 30, 2013; and (iii) general business growth in our funeral facilities in Chongqing and Hefei.

Cost of Sales and Services

Our cost of sales and services increased by RMB13.2 million, or 28.1%, from RMB47.0 million for the six months ended June 30, 2012 to RMB60.2 million for the six months ended June 30, 2013. This increase was primarily due to a 31.2% increase in cost of sales and services for burial services and, to a lesser extent, a 16.2% increase in cost of sales and services for funeral services.

Our cost of sales and services for burial services increased by RMB11.6 million, or 31.2%, from RMB37.3 million for the six months ended June 30, 2012 to RMB49.0 million for the six months ended June 30, 2013, partially in line with the increase in our revenue for the period. Our tombstone cost increased by 22.9%, from RMB14.7 million for the six months ended June 30, 2012 to RMB18.0 million for the six months ended June 30, 2013, primarily due to the increase in our business growth and the increase in tombstone prices as a result of price inflation. Our development cost increased by 63.7%, from RMB6.6 million for the six months ended June 30, 2012 to RMB10.8 million for the six months ended June 30, 2013. Our land cost increased by 26.8%, from RMB3.5 million for the six months ended June 30, 2012 to RMB4.4 million for the six months ended June 30, 2013. The increases in our development cost and land cost for the six months ended June 30, 2013 were primarily due to the increase in our sales, including the increase in the units of burial plots sold, especially in Jinzhou Maoshan Anling and Shanghai Nanyuan, which, in turn, was attributable to our acquisition of Jinzhou Maoshan Anling in May 2012 and our acquisition of control of Shanghai Nanyuan in January 2013.

Our cost of sales and services for funeral services increased by RMB1.6 million, or 16.2%, from RMB9.7 million for the six months ended June 30, 2012 to RMB11.2 million for the six months ended June 30, 2013. This increase was primarily due to (i) business growth in our funeral facilities in Shanghai due to enhanced sales efforts and an expansion of our service offering types, and (ii) Xiamen Huaixiang commencing provision of funeral services in February 2013.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB61.0 million, or 32.9%, from RMB185.5 million for the six months ended June 30, 2012 to RMB246.4 million for the six months ended June 30, 2013. Our overall gross profit margin increased from 79.8% for the six months ended June 30, 2012 to 80.4% for the six months ended June 30, 2013, primarily as a result of the increase in the gross profit margin of our burial services, from 81.3% for the six months ended June 30, 2012 to 81.8% for the six months ended June 30, 2013, partially offset by a decrease in the gross profit margin of our funeral services from 70.8% for the six months ended June 30, 2012 to 69.7% for the six months ended June 30, 2013.

Our gross profit from burial services increased by RMB58.5 million, or 36.1%, from RMB162.1 million for the six months ended June 30, 2012 to RMB220.6 million for the six months ended June 30, 2013. Our gross profit margin for burial services increased from 81.3% for the six months ended June 30, 2012 to 81.8% for the six months ended June 30, 2013, mainly due to increases in the prices of certain types of our burial plots sold.

Our gross profit from funeral services increased by RMB2.4 million, or 10.4%, from RMB23.4 million for the six months ended June 30, 2012 to RMB25.9 million for the six months ended June 30, 2013. Our gross profit margin for funeral services decreased from 70.8% for the six months ended June 30, 2012 to 69.7% for the six months ended June 30, 2013. This slight decrease was primarily due to Xiamen Huaixiang commencing the provision of funeral services in February 2013, which had a relatively low profit margin for the six months ended June 30, 2013.

Distribution and Selling Expenses

Our distribution and selling expenses decreased by RMB0.2 million, or 0.4%, from RMB52.8 million for the six months ended June 30, 2012 to RMB52.6 million for the six months ended June 30, 2013. This decrease was primarily due to a decrease in salary and staff costs of RMB4.0 million, or 16.0%, from RMB25.1 million for the six months ended June 30, 2012 to RMB21.1 million for the six months ended June 30, 2013, which, in turn, was primarily due to special year-end bonuses for our sales and distribution staff aggregating approximately RMB6.5 million accruing in the six months ended June 30, 2012, partially offset mainly by (i) an increase in commissions of RMB1.6 million, (ii) an increase in travel expenses of RMB0.7 million and (iii) an increase in leasing expenses of RMB0.5 million, from the six months ended June 30, 2012 to the six months ended June 30, 2013.

Administrative Expenses

Our administrative expenses increased by RMB5.0 million, or 11.0%, from RMB45.5 million for the six months ended June 30, 2012 to RMB50.5 million for the six months ended June 30, 2013. This increase was primarily due to (i) an increase of 16.6% in salary and staff costs, from RMB24.0 million for the six months ended June 30, 2012 to RMB28.0 million for the six months ended June 30, 2013, due to an increase in the number of our administrative staff, as a result of the consolidation of Shanghai Nanyuan into our group in January 2013, (ii) an increase of 45.9% in travel and business development expenses, from RMB5.9 million for the six months ended June 30, 2012 to RMB8.6 million in the six months ended June 30, 2013, as a result of our general business growth, (iii) an increase of 36.0% in depreciation and amortization expenses, from RMB5.1 million for the six months ended June 30, 2012 to RMB7.0 for the six months ended June 30, 2013 and (iv) an increase in other administrative expenses from RMB0.4 million for the six months ended June 30, 2012 to RMB3.7 million for the six months ended June 30, 2013, partially offset by a decrease in consulting fees, from RMB7.3 million for the six months ended June 30, 2012 to RMB0.4 million for the six months ended June 30, 2013, as we incurred more expenses related to the litigation between us and China Healthcare for the six months ended June 30, 2012. For more information about the litigation between us and China Healthcare, see "Business — Legal Proceedings — Dispute Settlement with China Healthcare" in this prospectus.

Other Expenses

Other expenses of RMB8.3 million incurred for the six months ended June 30, 2013 represented initial public offering expenses for the Global Offering. We did not incur any such other expenses in the six months ended June 30, 2012.

Finance Costs

Our net finance costs decreased slightly by RMB0.1 million, or 2.5%, from RMB5.5 million for the six months ended June 30, 2012 to RMB5.4 million for the six months ended June 30, 2013.

Income Tax Expense

Our income tax expense increased by RMB17.4 million, or 73.5%, from RMB23.8 million for the six months ended June 30, 2012 to RMB41.2 million for the six months ended June 30, 2013. This increase was primarily due to an increase of 72.3% in our profit before income tax, from RMB92.5 million for the six months ended June 30, 2012 to RMB159.3 million for the six months ended June 30, 2013.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, our profit and total comprehensive income for the period increased by RMB49.4 million, or 71.9%, from RMB68.7 million for the six months ended June 30, 2012 to RMB118.1 million for the six months ended June 30, 2013. Our net profit margin increased from 29.6% for the six months ended June 30, 2012 to 38.5% for the six months ended June 30, 2013. This increase was primarily due to (i) a gain on deemed disposal of an associate of RMB16.4 million in connection with our acquisition of control of Shanghai Nanyuan in January 2013; (ii) the increase in our overall gross profit margin from 79.8% for the six months ended June 30, 2012 to 80.4% for the six months ended June 30, 2013; and (iii) inclusion of the non-controlling interests of Shanghai Nanyuan since January 2013.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenue

Our revenue increased by RMB58.6 million, or 13.9%, from RMB421.4 million in 2011 to RMB480.0 million in 2012. This increase was primarily driven by the increase in revenue from burial services and, to a lesser extent, the increase in revenue from funeral services.

Revenue from burial services increased by RMB51.3 million, or 14.0%, from RMB367.6 million in 2011 to RMB418.9 million in 2012. This increase was primarily due to (i) a 12.9% increase in the total number of units sold for our burial services, from 4,242 in 2011 to 4,789 in 2012, mainly as a result of our acquisition of Jinzhou Maoshan Anling in May 2012, which contributed sales of burial plots with revenue of RMB31.2 million in 2012, and (ii) general sales growth at our cemeteries in other locations, primarily driven by the increase in the prices of certain types of the burial plots we sold.

Revenue from funeral services increased by RMB7.3 million, or 13.5%, from RMB53.9 million in 2011 to RMB61.1 million in 2012. This increase was primarily due to business growth in our funeral facilities in Hefei and Chongqing. Our business growth in our funeral facility in Hefei was mainly driven by our enhanced efforts at expanding our services. Our business growth in our funeral facility in Chongqing was mainly attributable to increased types of service offerings and the increased pricing level in the region.

Cost of Sales and Services

Our cost of sales and services increased by RMB16.0 million, or 20.7%, from RMB77.6 million in 2011 to RMB93.7 million in 2012. This increase was primarily due to a 23.4% increase in cost of sales and services for burial services and, to a lesser extent, a 10.0% increase in cost of sales and services for funeral services.

Our cost of sales and services for burial services increased by RMB14.5 million, or 23.4%, from RMB62.0 million in 2011 to RMB76.5 million in 2012, partially in line with the increase in our revenue for the period. Our land cost increased by 113.0%, from RMB3.7 million in 2011 to RMB7.8 million in 2012, primarily attributable to the increase in land costs as a result of our acquisition of Jinzhou Maoshan Anling in May 2012. Our tombstone cost increased by 24.3%, from RMB20.5 million in 2011 to RMB25.5 million in 2012, primarily due to the increase in our business growth and the increase in tombstone prices as a result of price inflation. Our development cost increased by 18.2%, from RMB13.2 million in 2011 to RMB15.6 million in 2012, primarily due to increased development costs as a result of our acquisition of Jinzhou Maoshan Anling in May 2012.

Our cost of sales and services for funeral services increased by RMB1.6 million, or 10.0%, from RMB15.6 million in 2011 to RMB17.2 million in 2012. This increase was in line with the increase in revenue from funeral services provided by our funeral facility in Hefei.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB42.5 million, or 12.4%, from RMB343.8 million in 2011 to RMB386.3 million in 2012. Our overall gross profit margin decreased from 81.6% in 2011 to 80.5% in 2012, primarily as a result of the decrease in the gross profit margin of our burial services from 83.1% in 2011 to 81.7% in 2012.

Our gross profit from burial services increased by RMB36.8 million, or 12.1%, from RMB305.6 million in 2011 to RMB342.4 million in 2012. Our gross profit margin for burial services decreased from 83.1% in 2011 to 81.7% in 2012, mainly attributable to our acquisition of Jinzhou Maoshan Anling in May 2012, which had a relatively low profit margin as a result of the relatively low average prices of its burial plots sold.

Our gross profit from funeral services increased by RMB5.7 million, or 14.9%, from RMB38.2 million in 2011 to RMB43.9 million in 2012. Our gross profit margin for funeral services increased from 70.9% in 2011 to 71.8% in 2012. This increase was primarily attributable to an increase in the prices of our funeral services.

Distribution and Selling Expenses

Our distribution and selling expenses increased by RMB23.4 million, or 32.7%, from RMB71.8 million in 2011 to RMB95.2 million in 2012. This increase was primarily due to an increase in salary and staff costs of 52.2%, from RMB30.1 million in 2011 to RMB45.8 million in 2012, due to (i) an increase in the number of our sales and distribution staff, partially as a result of the acquisition of Jinzhou Maoshan Anling in May 2012, and (ii) our payment of a year-end special bonus to our sales and distribution staff in the amount of approximately RMB6.5 million.

Administrative Expenses

Our administrative expenses increased by RMB1.0 million, or 1.0%, from RMB103.1 million in 2011 to RMB104.1 million in 2012. This increase was primarily due to (i) an increase in our depreciation and amortization expenses of 62.2%, from RMB6.7 million in 2011 to RMB10.9 million in 2012, partially as a result of the acquisition of Jinzhou Maoshan Anling in May 2012, which contributed depreciation and amortization expenses of RMB2.0 million; and (ii) an increase in travel and business development expenses of 23.2%, from RMB13.5 million in 2011 to RMB16.7 million in 2012, partially as a result of the acquisition of Jinzhou Maoshan Anling in May 2012, which contributed travel and business development expenses of RMB1.3 million. These increases were partially offset (i) by a 5.1% decrease in salary and staff costs as a result of a decrease in reserved bonuses for senior management as part of our incentive plan, and (ii) a 7.2% decrease in consulting fees.

Finance Costs

Our net finance costs increased by RMB2.2 million, or 25.8%, from RMB8.6 million in 2011 to RMB10.8 million in 2012. This increase was primarily due to (i) an increase in interest expense on our bank loans as a result of an increase in our bank loans from RMB33.0 million as of December 31, 2011 to RMB47.7 million as of December 31, 2012, and (ii) an increase in our interest expense on borrowings from non-controlling interests, as a result of the increase in the interest rate of Shandong FSY Development's borrowings from Shandong World Trade Center.

Income Tax Expense

Our income tax expense increased by RMB9.5 million, or 20.1%, from RMB47.0 million in 2011 to RMB56.4 million in 2012. This increase was primarily due to (i) an increase in our profit before income tax during the same period, (ii) a RMB5.2 million withholding tax charged on our undistributed earnings in 2012, which will be paid out in 2013, and (iii) an increase in effective tax rate from 24.9% in 2011 to 29.0% in 2012 which, in turn, was primarily due to a decrease in the tax effect of non-taxable income from RMB4.0 million in 2011 to RMB2.0 million in 2012.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year decreased by RMB3.4 million, or 2.4%, from RMB141.6 million in 2011 to RMB138.2 million in 2012. Our net profit margin decreased from 33.6% in 2011 to 28.8% in 2012. This decrease was primarily due to (i) the decrease in our gross profit margin from 81.6% in 2011 to 80.5% in 2012 due to the foregoing reasons and (ii) a gain on deemed disposal of an associate of RMB13.9 million in 2011, which represented a gain recognized in connection with our original 40% equity interest in Shandong FSY Development. When we increased our equity interest in Shandong FSY Development from 40% to 50% in March 2011, Shandong FSY Development became our subsidiary, which resulted in our original 40% equity interest in Shandong FSY Development being deemed to have been disposed of and our recognizing a gain on the deemed disposal.

Year ended December 31, 2011 compared to the year ended December 31, 2010

Revenue

Our revenue increased by RMB71.0 million, or 20.2%, from RMB350.5 million in 2010 to RMB421.4 million in 2011. This increase was primarily driven by the increase in revenue from burial services and, to a lesser extent, the increase in revenue from funeral services.

Revenue from burial services increased by RMB64.9 million, or 21.4%, from RMB302.7 million in 2010 to RMB367.6 million in 2011. This increase was primarily due to (i) the increase in our equity interest in Shandong FSY Development, which became our subsidiary in March 2011 and contributed revenue of RMB24.2 million in 2011, and (ii) our increase in prices in the middle of 2011 for certain types of our burial plots sold.

Revenue from funeral services increased by RMB6.1 million, or 12.7%, from RMB47.8 million in 2010 to RMB53.9 million in 2011. This increase was primarily due to our business growth in our funeral facilities in Hefei, mainly driven by our enhanced efforts at expanding our services.

Cost of Sales and Services

Our cost of sales increased by RMB9.8 million, or 14.5%, from RMB67.8 million in 2010 to RMB77.6 million in 2011. This increase was primarily due to an increase in the cost of sales and services for burial services and, to a lesser extent, an increase in cost of sales and services for funeral services.

Our cost of sales and services for burial services increased by RMB7.6 million, or 13.9%, from RMB54.4 million in 2010 to RMB62.0 million in 2011. Our land cost increased by 69.5%, from RMB2.2 million in 2010 to RMB3.7 million in 2011. This increase was primarily due to the revaluation of land cost relating to our deemed disposal of our original 40% equity interest in Shandong FSY Development when we acquired an additional 10% equity interest in it and it became our subsidiary. Our tombstone cost increased by 23.8%, from RMB16.6 million in 2010 to RMB20.5 million in 2011, primarily due to our business growth and the increase in tombstone prices as a result of price inflation.

Our cost of sales and services for funeral services increased by RMB2.3 million, or 17.1%, from RMB13.4 million in 2010 to RMB15.6 million in 2011. This increase was in line with the growth of our business, primarily at our funeral facility in Hefei.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB61.1 million, or 21.6%, from RMB282.7 million in 2010 to RMB343.8 million in 2011. Our overall gross profit margin increased from 80.7% in 2010 to 81.6% in 2011.

Our gross profit from burial services increased by RMB57.3 million, or 23.1%, from RMB248.3 million in 2010 to RMB305.6 million in 2011. The gross profit margin for burial services increased from 82.0% in 2010 to 83.1% in 2011. This increase was primarily attributable to an increase in prices in the middle of 2011 for certain types of our burial plots sold.

Our gross profit from funeral services increased by RMB3.8 million, or 11.0%, from RMB34.4 million in 2010 to RMB38.2 million in 2011. Our gross profit margin for funeral services decreased from 72.0% in 2010 to 70.9% in 2011. This slight decrease was mainly due to the establishment of our subsidiary Shanghai FSY Funeral Arrangement Services in May 2011, which had a relatively low profit margin for 2011.

Distribution and Selling Expenses

Our distribution and selling expenses increased by RMB13.9 million, or 24.0%, from RMB57.9 million in 2010 to RMB71.8 million in 2011. This increase was primarily due to (i) an increase of 59.8% in commissions paid to our sales agents, primarily due to the relatively high commissions paid by Shandong FSY Development, as well as an increase in the commissions of our other subsidiaries in line with our business growth, and (ii) an increase in salary and staff costs as well as an increase in the number of our sales and distribution staff, partially as a result of the consolidation of Shandong FSY Development in 2011.

Administrative Expenses

Our administrative expenses increased by RMB27.9 million, or 37.2%, from RMB75.1 million in 2010 to RMB103.1 million in 2011. This increase was primarily due to (i) an increase in consulting fees of 185.0%, in connection with the legal and auditing fees related to the litigation between us and China Healthcare Holdings Limited, and (ii) an increase in salary and staff costs due to an increase in the number of our administrative staff, partially as a result of the consolidation of Shandong FSY Development into our Group in 2011. For more details on the litigation between us and China Healthcare, see "Business — Legal Proceedings — Dispute Settlement with China Healthcare" in this prospectus.

Finance Costs

Our net finance costs increased by RMB2.7 million, or 46.8%, from RMB5.9 million in 2010 to RMB8.6 million in 2011. This increase was primarily due to (i) an interest expense on loans from non-controlling interests of RMB3.6 million as a result of Shandong FSY Development becoming our subsidiary in March 2011 and our subsequent assumption of its outstanding loans from Shandong World Trade Center, while we did not have such interest expenses in 2010, (ii) an increase in interest expense on borrowings from Chongqing Zhonghan Xinye by us which were subsequently lent to Jinfu Waitan, and these borrowings were paid off in July 2013. These increases were partially offset by the fact that we had interest expense on borrowings from related parties of RMB5.6 million in 2010 in connection with our borrowings from Zhongfu, while we did not have such interest expenses in 2011.

Income Tax Expense

Our income tax expense increased by RMB7.4 million, or 18.7%, from RMB39.6 million in 2010 to RMB47.0 million in 2011. This increase was primarily due to an increase in our profit before tax during the same period, partially offset by a decrease in our effective tax rate from 25.8% in 2010 to 24.9% in 2011.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by RMB27.9 million, or 24.6%, from RMB113.7 million in 2010 to RMB141.6 million in 2011. Our net profit margin increased from 32.4% in 2010 to 33.6% in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have primarily financed our working capital, capital expenditures and other capital requirements through income generated from our operations and bank borrowings and other borrowings. In the future, we expect to fund our capital expenditures, working capital and other capital requirements from cash generated from our operations, the net proceeds from the Global Offering and bank and other borrowings.

Cash Flow

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash generated from operating activities	172,880	149,003	177,403	89,887	58,814
Net cash generated from/(used in) investing activities	23,087	(24,708)	(13,563)	(112,220)	(6,082)
Net cash (used in)/generated from financing activities	(138,071)	(63,565)	(98,878)	15,010	(31,836)
Net increase/(decrease) in cash and cash equivalents	57,896	60,730	64,962	(7,323)	20,896
Cash and cash equivalents at beginning of the year/period	103,272	161,168	221,898	221,898	286,860
Cash and cash equivalents at end of the year/period	161,168	221,898	286,860	214,575	307,756

Net cash generated from operating activities

We generate our cash from operating activities primarily from proceeds of our death care services businesses. Our cash used in operating activities is primarily for land acquisition, the development and construction of cemeteries, selling and distribution expenses and administrative expenses. Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as finance costs and depreciation of property and equipment, and the effects of changes in working capital, such as increases or decreases in cemetery assets, inventories, other receivables and trade and other payables.

For the six months ended June 30, 2013, our net cash generated from operating activities was RMB58.8 million, primarily due to (i) operating cash flows before movements in working capital of RMB156.0 million, and (ii) an increase in deferred income of RMB9.4 million relating to prepayments for our cemetery maintenance services as a result of an increase in sales of burial services. These amounts were partially offset by (i) an increase in cemetery assets and inventories of RMB54.9 million, partly due to our payment of a deposit of RMB36.0 million for purchase of land by our subsidiary, Nanchang Hongfu, and partly due to our business growth; (ii) a decrease in trade and other payables of RMB27.1 million, primarily as a result of our payment of 2012 year-end bonuses in the amount of RMB23.8 million in the beginning of 2013, and (iii) income taxes paid of RMB26.8 million.

For the year ended December 31, 2012, our net cash generated from operating activities was RMB177.4 million, primarily due to (i) operating cash flows before movements in working capital of RMB209.3 million, (ii) a decrease in other receivables of RMB15.4 million due to our collection of other receivables related to Jinzhou Maoshan Anling, (iii) an increase in deferred income of RMB11.0 million in connection with prepayment for cemetery maintenance services as a result of an increase in sales from burial services, and (iv) an increase in trade and other payables of RMB9.1 million in connection with accrued salary, welfare and bonus payables and trade payables with suppliers as a result of increased cemetery construction activities at the end of 2012. These amounts were partially offset by (i) income tax paid of RMB45.2 million, and (ii) an increase in cemetery assets and inventories of RMB21.0 million which was generally in line with the growth of our business.

For the year ended December 31, 2011, our net cash generated from operating activities was RMB149.0 million, primarily due to (i) operating cash flows before movements in working capital of RMB181.2 million, and (ii) an increase in deferred income of RMB14.0 million in connection with prepayment for cemetery maintenance services as a result of an increase in sales from burial services. These amounts were partially offset by (i) income tax paid of RMB32.5 million, and (ii) an increase in other receivables of RMB6.1 million.

For the year ended December 31, 2010, our net cash generated from operating activities was RMB172.9 million, primarily from (i) operating cash flows before movements in working capital of RMB160.9 million, (ii) an increase in deferred income of RMB13.1 million in connection with prepayment for cemetery maintenance services as a result of an increase in sales from burial services, (iii) an increase in trade and other payables of RMB6.6 million, and (iv) a decrease in other receivables of RMB6.4 million; partially offset by income tax paid of RMB12.1 million.

Net cash generated from or used in investing activities

Our net cash generated from or used in investing activities reflects the results of our investing activities for the period, such as purchases of intangible assets, proceeds on disposal of property and equipment, additions to and deposits paid for property and equipment, acquisitions of subsidiaries and dividends received from associates.

For the six months ended June 30, 2013, our net cash used in investing activities was RMB6.1 million, primarily due to (i) advance to independent third parties of RMB35.7 million in connection with short-term advance provided to Jiangxi Guoding, which was paid off in September 2013; and (ii) additions to and deposits paid for property and equipment of RMB24.8 million in connection with (a) initial investment in the construction of factory for manufacturing cremation machines by our subsidiary, Anhui Zhongfude, (b) construction of employee dormitories in Henan, (c) construction of office building in Jinzhou, and (d) renovation of dining facilities and purchase of vehicles and office equipment in Shanghai. These amounts were partially offset by (i) acquisition of subsidiaries of RMB38.8 million in connection with our acquisition of bank balances and cash of Shanghai Nanyuan as a result of our consolidation of Shanghai Nanyuan after our acquisition of its control in January 2013 and (ii) repayments from independent third parties of RMB6.6 million consisting of repayment from Jinfu Waitai of RMB3.5 million and repayment from other independent third parties. For more information about advance to independent third parties of RMB35.7 million, see "— Certain Balance Sheet Items — Other Receivables" in this section.

For the year ended December 31, 2012, our net cash used in investing activities was RMB13.6 million, primarily due to (i) payments to related parties of RMB43.4 million mainly consisting of short-term loans to Anhe of RMB30.0 million and to Zhongfu of RMB7.9 million, (ii) additions to and deposits paid for property and equipment of RMB23.5 million in connection with the renovation of our facilities in Shanghai and Henan and the purchase of vehicles, and (iii) acquisition of subsidiaries of RMB20.1 million in connection with our acquisition of Jinzhou Maoshan Anling in May 2012 and our acquisition of a 50.89% equity interest in Nanchang Hongfu. These amounts were partially offset by (i) repayments from related parties of RMB61.6 million mainly consisting of repayments from Zhongfu of RMB30.0 million and from Anhe of RMB30.0 million, (ii) interest received of RMB7.7 million, and (iii) dividends received from our associate, Shanghai Nanyuan, of RMB6.2 million.

For the year ended December 31, 2011, our net cash used in investing activities was RMB24.7 million, primarily due to (i) payment to related parties of RMB30.3 million primarily related to short-term loans to Zhongfu of RMB30.0 million, (ii) additions to and deposits paid to property and equipment of RMB8.0 million in connection with the enhancement of our ancillary facilities at Shanghai FSY Industry Development. These amounts were partially offset by (i) dividends received from associates of RMB5.5 million, and (ii) interest received of RMB3.8 million.

For the year ended December 31, 2010, our net cash generated from investing activities was RMB23.1 million, primarily due to (i) repayments from related parties of RMB82.3 million mainly consisting of repayments from Zhongfu of RMB67.8 million and from Anhe of RMB10.0 million, and (ii) repayments from independent third parties of RMB15.1 million in connection with the refund of deposits paid to a potential supplier. These amounts were partially offset by (i) additions to and deposits paid for property and equipment of RMB34.7 million in connection with the construction of the Humanity Museum at Shanghai Fu Shou Yuan in June 2010, (ii) payments to related parties of RMB27.5 million mainly consisting of shareholder loans of RMB23.6 million from Shanghai FSY Industry Development to Shandong FSY Development, and (iii) advance to independent third parties of RMB14.8 million in connection with our lending to Jinfu Waitan which was paid off in July 2013.

Net cash generated used in financing activities

Our net cash used in financing activities reflects the results of our financing activities for the period, such as bank borrowings, repayment of bank borrowings, dividends paid to owners of the Company and to non-controlling interests and dividends paid to owners of the Company.

For the six months ended June 30, 2013, our net cash used in financing activities was RMB31.8 million, primarily due to (i) repayment to related parties of RMB37.7 million consisting of amounts due to Zhongfu, Anhe and Shanghai Zhongfu, (ii) acquisition of additional interest in existing subsidiaries of RMB24.2 million in connection with our acquisition of an additional 45% equity interest in Henan FSY Industrial and additional 15.73% equity interest in Jinzhou Maoshan Anling both in January 2013, (iii) repayment of bank borrowings of RMB18.0 million, and (iv) interest paid of RMB6.6 million. These amounts were partially offset by (i) advance from related parties of RMB30.4 million in connection with the completion of our Reorganization which were non-interest bearing, and (ii) new bank borrowings raised of RMB25.0 million.

For the year ended December 31, 2012, our net cash used in financing activities was RMB98.9 million, primarily due to (i) dividends paid to owners of the Company of RMB77.8 million, (ii) interest paid of RMB11.3 million, (iii) repayment of other borrowings of RMB10.0 million, (iv) dividends paid to non-controlling interests of RMB9.2 million in connection with our dividends paid to Hefei Shushan Martyr Cemetery Lingyuan Management, (v) repayments to non-controlling interests of RMB8.7 million in connection with repayment of loans to non-controlling shareholders by Shandong FSY Development. These amounts were partially offset by (i) advance from related parties of RMB18.6 million primarily in connection with a loan from Zhongfu in relation to the Reorganization and (ii) new bank borrowing raised of RMB16.8 million.

For the year ended December 31, 2011, our net cash used in financing activities was RMB63.6 million, primarily due to (i) dividends paid to owners of the Company of RMB87.6 million; (ii) dividends paid to non-controlling interests of RMB8.0 million in connection with our dividends paid to Hefei Shushan Martyr Cemetery Lingyuan Management, and (iii) interest paid of RMB6.8 million. These amounts were partially offset by (i) advance from related parties of RMB36.2 million in connection with a loan from Glory Line Limited in relation to the Reorganization, and (ii) new bank borrowings raised of RMB10.0 million.

For the year ended December 31, 2010, our net cash used in financing activities was RMB138.1 million, primarily due to (i) dividends paid to owners of the Company of RMB141.8 million, and (ii) repayment of bank borrowings of RMB10.0 million. These amounts were partially offset by (i) advance from related parties of RMB14.2 million consisting of advance of RMB9.7 million from senior management members and short-term loan of RMB4.4 million from Zhongfu, and (ii) new other borrowings raised of RMB14.0 million from Chongqing Zhonghan Xinye in connection with our lending to Jinfu Waitan which were paid off in July 2013.

Working Capital

Taking into account the financial resources available to us, including the expected cash generated from our operations, our available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

CERTAIN BALANCE SHEET ITEMS

Cemetery Assets

Cemetery assets consist of prepaid lease payments, cost of initial land development and cost of landscaping for the general public areas of the cemetery and are carried at the lower of cost less accumulated amortization and net realized value prior to the commencement of development of the cemetery. Amortization for cemetery assets is done on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in our statements of comprehensive income. Upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business, the related carrying amounts of cemetery assets are transferred to inventory. The following table sets forth the carrying values of our cemetery assets as of the dates indicated:

	As of December 31,			As of June 30,
	2010	**2011**	**2012**	**2013**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Cemetery assets	148,509	271,889	337,865	444,364

Our cemetery assets increased by 83.1%, from RMB148.5 million as of December 31, 2010 to RMB271.9 million, as of December 31, 2011 and increased by 24.3%, from RMB271.9 million as of December 31, 2011, to RMB337.9 million as of December 31, 2012, and further increased by 31.5%, from RMB337.9 million as of December 31, 2012 to RMB444.4 million as of June 30, 2013. These increases were primarily driven by our business growth and geographic expansion during the Track Record Period.

Other Receivables

Our other receivables consist of (i) prepayments and deposits to suppliers; (ii) prepayments and rental deposits on properties; (iii) staff advances; (iv) loans to independent third parties; (v) loan to an independent third party; (vi) amounts due from non-controlling interests and (vii) others. The following table sets forth our other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments and deposits to suppliers	11	63	7,322	2,706
Prepayments and rental deposits on properties	618	1,841	1,882	2,392
Staff advances	392	348	1,735	1,875
Loans to independent third parties	14,837	16,534	12,640	6,050
Loan to an independent third party	—	—	—	35,727
Amounts due from non-controlling interests	—	—	11,388	3,475
Others	818	4,872	2,798	8,512
	16,676	**23,658**	**37,765**	**60,737**

Our prepayments and deposits to suppliers increased significantly, from RMB63,000 as of December 31, 2011 to RMB7.3 million as of December 31, 2012, primarily due to our acquisition of Jinzhou Maoshan Anling in May 2012, as we consolidated its prepayments and deposits to suppliers. We implemented plans at the end of 2012 to sell more burial plots in Jinzhou Maoshan Anling in early 2013, thus paying a relatively large amount of prepayments and deposits to it tombstone suppliers at the end of 2012 in order to store more tombstones for such anticipated sales.

Our loans to independent third parties represented our loans to Jinfu Waitan made in 2010. We borrowed loans from Chongqing Zhonghan Xinye and subsequently lent the loans to Jinfu Waitan. The interest rate of our loans to Jinfu Waitan was the same interest rate as charged by Chongqing Zhonghan Xinye from which we borrowed the loans. The balance was unsecured and repayable on demand. The balance was settled in July 2013.

Our loan to an independent third party of RMB35.7 million as of June 30, 2013 represented our short-term loan to Jiangxi Guoding, an independent death care service provider in Nanchang. This short-term loan was non-interest bearing, guaranteed by Zhongfu and paid off in September 2013. We provided the short-term loan to assist Jiangxi Guoding, which was in financial difficulties at that time, in an effort to establish our positive corporate image and expand our branding influence in the local death care service industry in Nanchang, establish a relationship with a local death care service provider and explore business opportunities in the Nanchang market. Our Directors believe that the provision of short-term financing assistance to Jiangxi Guoding was in the best interests of our Company.

Amounts due from non-controlling interests of RMB11.4 million as of December 31, 2012 consisted of (i) advance payments of equity transfer to non-controlling shareholders of Henan FSY Industrial in the amount of RMB4.5 million in connection with our acquisition of additional 35.04% equity interest in Henan FSY Industrial in 2013; and (ii) loans lent to a then non-controlling shareholder of Jinzhou Maoshan Anling by Jinzhou Maoshan Anling in the amount of RMB6.9 million prior to our acquisition of Jinzhou Maoshan Anling. Amounts due from non-controlling interests of RMB3.5 million as of June 30, 2013 represented the remaining loan amount of RMB3.5 million of the loans lent to the then non-controlling shareholder of Jinzhou Maoshan Anling by Jinzhou Maoshan Anling prior to our acquisition of Jinzhou Maoshan Anling, of which RMB1.0 million was repaid by the non-controlling shareholder in September 2013, and the remaining RMB2.5 million were paid off in November 2013.

Inventories

Our inventories primarily consist of burial plots, tombstone and others. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Burial plots	51,093	65,481	75,218	126,768
Tombstone	19,154	30,264	33,719	35,218
Others	1,555	2,361	2,227	5,369
	71,802	**98,106**	**111,164**	**167,355**

The related carrying amounts of the cemetery assets attributable to the burial plots are transferred to inventory upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business. Such development of cemetery assets into burial plots commences with identifying the appropriate cemetery assets on which the burial plots are to be constructed. Identifying such cemetery assets typically takes place a significant period of time before commencement of construction of the burial plots themselves. Cemetery assets will not continue to be amortized over the lease term after being transferred to inventory. Tombstones are transferred to inventory when they are set up in the cemetery. Our inventories increased by 36.6% from December 31, 2010 to December 31, 2011, by 13.3% from December 31, 2011 to December 31, 2012, and further by 50.5% from December 31, 2012 to June 30, 2013 mainly driven by our business growth and our geographic expansion.

The following table sets forth the average inventory turnover days during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013
Average inventory turnover days[(1)]	378	399	408	419

Note:

(1) Average inventory turnover days is equal to the average inventory divided by costs of sales and services and multiplied by 365 days for each of the three years ended December 31, 2010, 2011 and 2012 and 181 days for the six months ended June 30, 2013. Average inventory equals inventory at the beginning of the period plus inventory at the end of the period and divided by two.

Both the factors of (i) our maintenance of an inventory of units available for sale on a rolling basis and (ii) our accounting policy of transfer of carrying amounts of cemetery assets attributable to the burial plots to inventory upon the commencement of development of cemetery assets into burial plots with the intention of sale in the ordinary course of business, result in our relatively long inventory turnover days.

Our average inventory turnover days increased slightly from 378 days for the year ended December 31, 2010 to 399 days for the year ended December 31, 2011, and further to 408 days for the year ended December 31, 2012 and 419 days for the six months ended June 30, 2013. The increase in our inventory turnover days during the Track Record Period was primarily due to the increase in our total inventories in anticipation of sales growth.

The following table sets forth the breakdown of our aging analysis by inventory type during the Track Record Period:

	Less than one year	One to two years	Two to three years	More than three years	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Year ended December 31, 2010					
Burial plots	21,718	2,339	1,248	25,788	**51,093**
Tombstone	9,154	6,000	2,000	2,000	**19,154**
Others	1,555	—	—	—	**1,555**
Total	**32,427**	**8,339**	**3,248**	**27,788**	**71,802**

	Less than one year	One to two years	Two to three years	More than three years	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Year ended December 31, 2011					
Burial plots	12,025	25,157	3,009	25,290	**65,481**
Tombstone	14,856	6,687	5,233	3,488	**30,264**
Others	2,361	—	—	—	**2,361**
Total	**29,242**	**31,844**	**8,242**	**28,778**	**98,106**
Year ended December 31, 2012					
Burial plots	15,429	7,459	23,467	28,863	**75,218**
Tombstone	18,462	5,319	5,059	4,879	**33,719**
Others	2,227	—	—	—	**2,227**
Total	**36,118**	**12,778**	**28,526**	**33,742**	**111,164**
Six months ended June 30, 2013					
Burial plots	76,093	11,115	7,366	32,194	**126,768**
Tombstone	9,867	9,479	3,554	12,318	**35,218**
Others	5,369	—	—	—	**5,369**
Total	**91,329**	**20,594**	**10,920**	**44,512**	**167,355**

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables; (ii) advances and deposits from customers; (iii) payables for acquisition of property and equipment; (iv) salary, welfare and bonus payables; (v) accrued interest; (vi) other accrued expenses and (vii) others. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables	24,871	24,662	42,985	44,280
Advances and deposits from customers	22,538	18,774	22,996	21,721
Payables for acquisition of property and equipment	7,676	—	6,954	10,113
Salary, welfare and bonus payables	35,596	58,594	75,529	51,740
Accrued interest	837	2,534	2,107	834
Other accrued expenses	3,539	5,274	2,401	2,896
Others	4,852	7,793	2,566	8,964
	99,909	**117,631**	**155,538**	**140,548**

Trade Payables

Our trade payables represent payables to our suppliers and contractors, such as tombstone suppliers, landscaping contractors and construction contractors. For more details, see "Business — Suppliers and Service Providers." For our suppliers and contractors, such as tombstone suppliers and construction contractors, we normally make payments to them in accordance with our contract terms. The payment terms of our suppliers vary depending on the types of products or services supplied. For example, for our tombstone suppliers, we normally pay them once the tombstone is delivered and has passed inspection. We may also pay them in advance under certain circumstances, based on consideration of the supplier's funding needs and our financial condition. For our construction contracts, we normally make installment payments to the contractors in accordance with the progress of construction. Our trade payables increased by 74.3%, from RMB24.7 million as of December 31, 2011 to RMB43.0 million as of December 31, 2012, primarily because we settled some payables with our suppliers and contractors in Shandong and Henan at the end of 2011, while we increased our construction activities and thus had increased unsettled balances with our suppliers and contactors at the end of 2012.

The following table sets forth the average trade payables turnover days during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2010	**2011**	**2012**	**2013**
Average trade payables turnover days(1)	119	116	132	131

Note:

(1) Average trade payables turnover days is equal to the average trade payables divided by costs of sales and services and multiplied by 365 days for each of the three years ended December 31, 2010, 2011 and 2012 and 181 days for the six months ended June 30, 2013. Average trade payables equals trade payables at the beginning of the period plus trade payables at the end of the period and divided by two.

Our average trade payables turnover days decreased slightly from 119 days for the year ended December 31, 2010 to 116 days for the year ended December 31, 2011, but increased to 132 days for the year ended December 31, 2012 and 131 days for the six months ended June 30, 2013. The increase in our trade payables turnover days during the year ended December 31, 2012 was primarily due to the increase in trade payables with suppliers as a result of increased cemetery activities at the end of 2012.

The table below sets forth the aging analysis of trade payables presented based on the invoice date as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
0-90 days	14,549	12,750	27,606	24,179
91-180 days	1,082	1,527	3,450	1,547
181-360 days	3,987	4,438	8,511	7,681
Over 361 days	5,253	5,947	3,418	10,873
	24,871	**24,662**	**42,985**	**44,280**

Advances and deposits from customers

Our advances and deposits from customers represent the advance payments and deposits paid by customers in connection with our death care services. Under our sales contracts for burial services, our customers are generally required to pay a deposit at the time they enter into the sales contract with us and the balance of the service fee before we commence work. For more details, see "Business — Our Burial Services — Burial service terms." For our funeral services, in Chongqing, our customers typically pay a deposit amounting to 5% to 10% of the total service fee and settle the remaining balance at the end of the provision of our services, before the farewell ceremony. At our other funeral facilities, we require our customers to pay the full service fee before we commence the provision of services. For more details, see "Business — Our Funeral Services — Funeral service terms."

Our advances and deposits from customers decreased by 16.7%, from RMB22.5 million as of December 31, 2010 to RMB18.8 million as of December 31, 2011, primarily because we shortened the production cycle for our customized burial plots which in turn reduced the time we held the advances from customers before we recognized them as revenue. Our advances and deposits from customers increased by 22.5%, from RMB18.8 million as of December 31, 2011 to RMB23.0 million as of December 31, 2012, primarily due to the increased sales growth.

Salary, welfare and bonus payables

Our salary, welfare and bonus payables represent (i) the provision for bonuses for our senior management members and (ii) the provision for accrued salaries and year-end bonuses for our staff members. Our salary, welfare and bonus payables increased by 64.6%, from RMB35.6 million as of December 31, 2010 to RMB58.6 million as of December 31, 2011, and increased by 28.9%, from RMB58.6 million as of December 31, 2011 to RMB75.5 million as of December 31, 2012. Such increases were primarily because we made provisions for salary and bonuses each year during the Track Record Period reserved as part of our incentive plan for our senior management members. Our salary, welfare and bonus payables decreased by 31.5%, from RMB75.5 million as of December 31, 2012 to RMB51.7 million as of June 30, 2013, primarily as a result of our payment of 2012 year-end bonuses in the amount of 23.8 million at the beginning of 2013.

Our Directors confirm that during the Track Record Period, we did not have any material defaults in payment of trade and non-trade payables.

Net Current Assets Position

The following table sets forth our assets and liabilities as of the balance sheet dates indicated below:

	As of December 31,			As of June 30,	As of October 31,
	2010	2011	2012	2013	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current assets					
Inventories	71,802	98,106	111,164	167,355	162,148
Other receivables	16,676	23,658	37,765	60,737	16,412
Amounts due from related parties	36,493	30,300	12,798	10,774	—
Bank balances and cash	161,168	221,898	286,860	307,756	319,169
Held for trading investments	417	—	—	—	—
Total current assets	**286,556**	**373,962**	**448,587**	**546,622**	**497,729**
Current liabilities					
Trade and other payables	99,909	117,631	155,538	140,548	152,314
Deferred income	5,226	6,700	8,419	11,472	12,433
Dividends payable	2,568	28,063	35,983	140,483	104,500
Dividends payable to non-controlling interests	—	—	—	10,000	—
Amounts due to related parties	30,939	54,182	65,476	12,549	1,556
Income tax liabilities	56,879	78,780	93,211	128,009	110,720
Borrowings	19,950	39,950	50,550	58,150	54,250
Total current liabilities	**215,471**	**325,306**	**409,177**	**501,211**	**435,773**
Net current assets	**71,085**	**48,656**	**39,410**	**45,411**	**61,956**

Our net current assets were RMB71.1 million, RMB48.7 million, RMB39.4 million, RMB45.4 million and RMB62.0 million as of December 31, 2010, 2011 and 2012, June 30, 2013 and October 31, 2013, respectively.

As of October 31, 2013, we had net current assets of RMB62.0 million, consisting of current assets of RMB497.7 million and current liabilities of RMB435.8 million, which represented an increase of approximately RMB16.5 million from our net current assets of RMB45.4 million as of June 30, 2013. The increase in net current assets was primarily driven by (i) a decrease of RMB36.0 million in dividends payable, (ii) a decrease of income tax liabilities of RMB17.3 million, and (iii) a decrease in amounts due to related parties of RMB11.0 million; which were partially offset by (i) an increase of trade and other payables of RMB11.8 million, and (ii) a decrease in other receivables of RMB44.3 million.

As of June 30, 2013, we had net current assets of RMB45.4 million, consisting of current assets of RMB546.6 million and current liabilities of RMB501.2 million, which represented an increase of approximately RMB6.0 million from our net current assets of RMB39.4 million as of December 31, 2012. This increase in current assets was primarily driven by (i) an increase of RMB56.2 million in inventories as a result of our acquisition of control of Shanghai Nanyuan in January 2013 and our general business growth, (ii) an increase of RMB23.0 million in other receivables, (iii) an increase of RMB20.9 million in our bank balances and cash, and (iv) a decrease of RMB52.9 million in amounts due to related parties; which were partially offset by (i) an increase of RMB104.5 million in dividends payable in connection with dividends declared, and (ii) an increase of RMB34.8 million in income tax liabilities.

As of December 31, 2012, we had net current assets of RMB39.4 million, consisting of current assets of RMB448.6 million and current liabilities of RMB409.2 million, which represented a decrease of approximately RMB9.3 million from our net current assets of RMB48.7 million as of December 31, 2011. This decrease in net current assets was primarily driven by (i) an increase of RMB37.9 million in trade and other payables, (ii) a decrease of RMB17.5 million in amounts due from related parties primarily in connection with Zhongfu's repayment of borrowings of RMB19.8 million, (iii) an increase of RMB14.4 million in income tax liabilities, and (iv) an increase of RMB11.3 million in amounts due to related parties in connection with a loan from Zhongfu in relation to the Reorganization. These amounts were partially offset by an increase of RMB65.0 million in our bank balances and cash. For more information on change in our trade and other payables, see "Trade and Other Payables" in this section.

As of December 31, 2011, we had net current assets of RMB48.7 million, consisting of current assets of RMB374.0 million and current liabilities of RMB325.3 million, which represented an decrease of approximately RMB22.4 million from our net current assets of RMB71.1 million as of December 31, 2010. This decrease in net current assets was primarily driven by (i) an increase of RMB25.5 million in dividends payable in connection with dividends declared in the amount of RMB28.0 million at the end of 2011, (ii) an increase of RMB23.2 million in amounts due to related parties in connection with a loan from Glory Line Limited in relation to the Reorganization, and (iii) an increase of RMB21.9 million in income tax liabilities. These amounts were partially offset by an increase of RMB60.7 million in our bank balances and cash.

Capital Expenditures

Our capital expenditures during the Track Record Period primarily represented expenditures incurred in relation to purchase of property and equipment, furniture, fixture and equipment, and leasehold improvements. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we incurred capital expenditures of RMB34.7 million, RMB8.0 million, RMB23.5 million and RMB24.8 million, respectively. We expect to incur capital expenditures of approximately RMB90.0 million for the year ending December 31, 2013, funded by our internal funds generated from operations, capital injection from non-controlling shareholders of certain subsidiaries, bank borrowings and the net proceeds from the Global Offering.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments include both commitments contracted for but not provided and commitments authorized but not yet contracted for. The table below sets out details of our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	941	188	85,897	72,872
Authorized but not yet contracted for	—	—	800	115,790

Our capital expenditures contracted but not provided for of RMB72.9 million as of June 30, 2013 were with respect to (i) the establishment of a factory for manufacturing cremation machines by our subsidiary, Anhui Zhongfude; and (ii) the planned purchase of land by our subsidiary, Nanchang Hongfu, for the construction of Phase I of the planned Nanchang Hongfu Cultural Memorial Park on approximately 400,000 sq.m. of land. For more information, see "Business — Our Cemeteries — Land Acquisition for Cemetery Development" in this prospectus. Our capital commitments authorized but not yet contracted for in the amount of RMB115.8 million as of June 30, 2013 were with respect to (i) the cemetery development of Shandong FSY Development, (ii) the construction of a building to be used for the reception center for Henan FSY Industrial; and (iii) the investment in the factory for manufacturing cremation machines by our subsidiary, Anhui Zhongfude. For more information, see "Business — Our Cemeteries — Cremation Machines" in this prospectus.

Operating Lease Commitments

The table below sets out details relating to our operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	2,495	4,038	3,190	2,445
In the second to fifth years inclusive	3,716	4,830	4,429	4,382
After five years	440	683	78	59
	6,651	**9,551**	**7,697**	**6,886**

Operating lease payments represent rentals payable by us for certain properties and land. The leases typically run for an initial period of two to five years, with an option to renew the leases when all the terms are renegotiated. Certain leases also contain an escalation clause.

INDEBTEDNESS

Bank and Other Borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2010	2011	2012	2013	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Bank borrowings	19,950	32,950	47,650	54,650	54,250
Other borrowings	14,000	14,000	7,000	3,500	—
Total	33,950	46,950	54,650	58,150	54,250
Secured by the Group's assets	19,950	29,950	36,550	44,650	44,250
Secured by independent third party's assets	—	—	3,800	—	—
Total secured borrowings	19,950	29,950	40,350	44,650	44,250
Total unsecured borrowings	14,000	17,000	14,300	13,500	10,000
	33,950	46,950	54,650	58,150	54,250
Guaranteed by an independent third party	—	3,000	7,300	10,000	10,000
Guaranteed by a related party	14,000	14,000	7,000	3,500	—
Total guaranteed borrowings	14,000	17,000	14,300	13,500	10,000
Total unguaranteed borrowings	19,950	29,950	40,350	44,650	44,250
	33,950	46,950	54,650	58,150	54,250
Fixed-rate borrowings	14,000	17,000	12,100	3,500	—
Variable-rate borrowings	19,950	29,950	42,550	54,650	54,250
	33,950	46,950	54,650	58,150	54,250

The following table sets forth information relating to the maturity of our borrowings:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Carrying amount repayable:				
Within one year	19,950	39,950	50,550	58,150
More than one year, but not exceeding two years	14,000	7,000	4,100	—
	33,950	46,950	54,650	58,150
Less: amounts due within one year shown under current liabilities	19,950	39,950	50,550	58,150
Amounts shown under non-current liabilities	14,000	7,000	4,100	—

During the Track Record Period, we entered into various borrowing agreements with banks and financial institutions to finance our business operations and expansion.

As of December 31, 2011, our total borrowings increased by RMB13.0 million from as of December 31, 2010, primarily due to (i) Shandong FSY Development becoming our subsidiary in March 2011, which had outstanding bank loans of RMB3.0 million; and (ii) an increase in Shanghai FSY Industry Development's bank loans of RMB10.0 million. As of December 31, 2012, our total borrowings increased by RMB7.7 million from as of December 31, 2011, primarily due to our acquisition of Jinzhou Maoshan Anling in May 2012 which had outstanding bank loans. As of June 30, 2013, our total borrowings increased by RMB3.5 million from as of December 31, 2012, primarily due to (i) an increase in Shanghai FSY Industry Development's bank loans of RMB10.0 million for its development needs, (ii) an increase in Shandong FSY Development's bank loans of RMB5.0 million for its development needs, partially offset by (i) a decrease in Jinzhou Maoshang Anling's bank loans of RMB8.0 million, and (ii) a decrease of RMB3.5 million in our borrowings from an independent third party, Chongqing Zhonghan Xinye. For more information, see "Loans with Independent Third Parties" in this section. As of the Latest Practicable Date, our unutilized banking facilities amounted to RMB120.0 million.

The ranges of effective interest rates on our bank and other borrowings are as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Effective interest rate:				
Fixed-rate borrowings	18.00%	6.39%-18.00%	7.80%-18.00%	18.00%
Variable-rate borrowings	5.31%	5.81%-6.06%	6.89%-8.53%	6.00%-8.00%

Bank Borrowings

Although our working capital was sufficient, we carried some bank borrowings during the Track Record Period, primarily because (i) Shanghai FSY Industry Development obtained bank loans from Shanghai Rural Commercial Bank mainly for the purpose of establishing our credit and relationship with the commercial bank; and (ii) our acquisition of Jinzhou Maoshan Anling in May 2012 and our increase of equity interest in Shandong FSY Development which became our subsidiary in March 2011, both of which carried outstanding bank loans. We have variable-rate bank borrowings which carry interest at the People's Bank of China benchmark rate plus a premium, which we believe is reasonable.

Shanghai FSY Industry Development's loans with Shanghai Rural Commercial Bank carry variable interest rates with references to People's Bank of China's benchmark interest rates. The loans are secured by the borrower's property. The term of the loans ranges from one to three years. Under the loan agreements entered into between Shanghai FSY Industry Development and Shanghai Rural Commercial Bank, Shanghai FSY Industry Development has agreed, among other things, not to take the following actions without first obtaining the lender's prior consent: (i) make any major changes to its corporate structure, such as entering into joint ventures, mergers and acquisitions, reduction of registered share capital and transfer of shares, (ii) make any investment or incur additional material indebtedness, (ii) make other changes to the company's status, such as liquidation or dissolution, bankruptcy filings and suspension of business, (iii) sell, transfer, pledge or otherwise dispose all or substantially all of the assets, (iv) provide guarantees or pledge or mortgage its assets for any third parties that may affect its ability to repay the loans; and (v) repay the loans in advance. As of June 30, 2013, the outstanding amount of the loans totaled RMB40.0 million.

Jinzhou Maoshan Anling's loan with Bank of Jinzhou and Shandong FSY Development's loan with Bank of Beijing Jinan Branch carry either fixed or variable interest rates with references to People's Bank of China's benchmark interest rates. The term of the loans ranges from one to two years. The loan agreements entered into by Jinzhou Maoshan Anling and Shandong FSY Development contain similar restrictive covenants as those in the loan agreements entered into by Shanghai FSY Industry Development, such covenants include, among other things, restrictions on use of loan proceeds, material corporate changes and provide guarantee or pledge assets for third parties. As of June 30, 2013, the outstanding amount of the loans carried by Jinzhou Maoshan Anling and Shandong FSY Development amounted to RMB4.7 million and RMB10.0 million, respectively.

Our Directors confirm that during the Track Record Period, we did not have any material defaults in payment of bank borrowings and did not breach any financial covenants.

Loans with Independent Third Parties

In 2010, our indirect wholly-owned subsidiaries, Chongqing Anle Funeral Services and Chongqing Anle Services, each entered into a working capital loan agreement with Chongqing Zhonghan Xinye, pursuant to which Chongqing Anle Funeral Services and Chongqing Anle Services each borrowed RMB7.0 million from Chongqing Zhonghan Xinye, with a term of one year and an interest rate of 18%. Chongqing Zhonghan Xinye is a financial institution which focuses on loans for small amounts. Chongqing Anle Funeral Services and Chongqing Anle Services each subsequently entered into a working capital loan agreement with another independent third party, Jinfu Waitan, pursuant to which Chongqing Anle Funeral Services and Chongqing Anle Services each lent the same amount to Jinfu Waitan, with substantially the same terms as the original set of loan agreements. Both sets of loan agreements were renewed in 2011 and 2012. In August 2012, Jinfu Waitan and Chongqing Anle Funeral Services each paid off their respective loan in the amount of RMB7.0 million. In February 2013, Jinfu Waitan and Chongqing Anle Services each made repayments on their respective loans of RMB3.5 million. In July 2013, Jinfu Waitan and Chongqing Anle Services each paid off the remaining RMB3.5 million for their respective loans. Although Chongqing Zhonghan Xinye charged us an interest rate of 18%, we charged Jinfu Waitan the same interest rate. Thus, the relatively high interest rate of these loans did not have a negative impact on us.

Borrowers under both sets of loan agreements are subject to certain material covenants that restrict them from carrying out any merger, consolidation, establishment of any joint venture, dissolution, bankruptcy, suspension of business without the lender's prior consent. Furthermore, as long as such loans are outstanding, the borrowers may not provide guarantees or pledge its assets for any third parties or engage in other activities that would impair their ability to repay the relevant loans. The loan agreements also contain cross-default provisions.

According to the Lending General Provisions issued by the People's Bank of China (中國人民銀行貸款通則), a "lender" should be a financial institution. Enterprises engaged in lending and borrowing activities between themselves may be imposed a fine one to five times of the income gained in violation of the Lending General Provisions, and the People's Bank of China shall prohibit such activities. As the Group was not a financial institution, its lending to Jinfu Waitan did not comply with the Lending General Provisions. As Jinfu Waitan could not obtain the loans directly from Chongqing Zhonghan Xinye, the Group borrowed the funds from Chongqing Zhonghan Xinye and on-lent to Jinfu Waitan with the same interest rate, which was also due to lack of relevant legal knowledge and experience. The borrowed funds have been paid off and the Group has no income gained from such lending activity. Since the incompliance was already corrected by the Company and there had been no gains from those activities, our PRC legal advisors advised us that the risk that the Group may be imposed a fine would be negligible. See "Business — Compliance — Lending to Related Parties and Independent Third Parties" of this prospectus for details of our internal control measures to prevent future re-occurrence of such non-compliances.

As of October 31, 2013, our Group had outstanding bank borrowings of RMB54.3 million (of which RMB44.3 million were secured by fixed charges on certain of our Group's assets and RMB10.0 million were guaranteed by an independent third party), amounts due to related parties of RMB1.6 million and loan from non-controlling interests of RMB38.6 million.

As of October 31, 2013, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

As of the Latest Practicable Date, the Directors confirmed that we did not plan to raise external debt in the near future. The Directors further confirmed that there had been no material adverse change in our Group's indebtedness since October 31, 2013 up to the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets out our gross profit margins, net profit margins, return on equity, return on total assets, current ratios, gearing ratios and interest coverage ratios as of the dates and periods indicated below:

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013
Gross Profit Margin	80.7%	81.6%	80.5%	80.4%
Net Profit Margin	32.4%	33.6%	28.8%	38.5%
Return on Equity	48.1%	63.9%	51.1%	58.3%(1)
Return on Total Assets	18.3%	16.7%	13.3%	19.4%(2)

Notes:

(1) Return on equity for the six months ended June 30, 2013 has been calculated by dividing total comprehensive income attributable to owners of the Company for the period by shareholders' equity, multiplying by 365/181, and then multiplying the resulting value by 100%.

(2) Return on total assets for the six months ended June 30, 2013 has been calculated by dividing profit and total comprehensive income for the period by total assets, multiplying by 365/181, and then multiplying the resulting value by 100%.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
Current Ratio	1.3	1.1	1.1	1.1
Gearing Ratio	12.5%	16.7%	14.3%	11.3%
Interest Coverage Ratio	27.1	22.9	19.0	30.8

Gross profit margin is gross profit divided by revenue for each financial period and multiplied by 100%. Our gross profit margin for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 80.7%, 81.6%, 80.5% and 80.4%, respectively. For details of our gross profit margin, see "— Certain Income Statement Items — Review of historical operating results" in this section.

Net profit margin is profit and total comprehensive income divided by revenue for each financial period and multiplied by 100%. Our net profit margin for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 32.4%, 33.6%, 28.8% and 38.5%, respectively. For details of our net profit margin, see "— Certain Income Statement Items — Review of historical operating results" in this section.

Return on equity is total comprehensive income attributable to owners of the company divided by shareholders' equity for each financial period and multiplied by 100%. Our return on equity for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 48.1%, 63.9%, 51.1% and 58.3%, respectively. Our return on equity increased from 48.1% in 2010 to 63.9% in 2011, primarily due to the increase in our comprehensive income attributable to owners of the company for the year by 25.4%, from RMB104.3 million in 2010 to RMB130.7 million in 2011, as a result of our business growth and a gain on deemed disposal of an associate of RMB13.9 million in 2011. Our return on equity decreased from 63.9% in 2011 to 51.1% in 2012, primarily due to (i) the increase in our shareholders' equity by 18.8%, from RMB204.5 million in 2011 to RMB243.1 million in 2012, as a result of our comprehensive income attributable to owners of our company of RMB124.3 million in 2012 which was offset by dividends recognized as distributions of the Company of RMB85.7 million in 2012; and (ii) a slight decrease in our comprehensive income attributable to owners of the company for the year, mainly because there was a gain on deemed disposal of an associate of RMB13.9 million recorded in 2011, while there was no such gain in 2012.

Return on total assets is profit and total comprehensive income divided by total assets for each financial period multiplied by 100%. Our return on total assets for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 18.3%, 16.7%, 13.3% and 19.4%, respectively. The decreases in our returns on total assets from 18.3% in 2010 to 16.7% in 2011, and further to 13.3% in 2012, were primarily attributable to our increase of equity interest in Shandong FSY Development from 40% to 50% in March 2011 and our acquisition of Jinzhou Maoshan Anling in May 2012, respectively, as the two companies had lower returns on total assets than our returns on total assets prior to the increase in equity interest and the acquisition, respectively.

Current ratio is current assets divided by current liabilities at the end of each financial period. Our current ratio was 1.3, 1.1, 1.1 and 1.1 as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. Our current ratio remained relatively stable during the Track Record Period.

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as at December 31, 2010, 2011 and 2012 and June 30, 2013 was 12.5%, 16.7%, 14.3% and 11.3%, respectively. Our gearing ratio decreased from 14.3% as of December 31, 2012 to 11.3% as of June 30, 2013, primarily due to the increase by 34.8% of our total equity from RMB381.0 million as of December 31, 2012 to RMB513.7 million as of June 30, 2013, partially offset by the slight increase of 6.4% in our total borrowing, from RMB54.7 million as of December 31, 2012 to RMB58.2 million as of June 30, 2013. Our gearing ratio increased from 12.5% as of December 31, 2010 to 16.7% as of December 31, 2011, primarily due to the increase by 38.3% of our total borrowings, from RMB34.0 million as of December 31, 2010 to RMB47.0 million as of December 31 2011 which was primarily due to (i) Shandong FSY Development becoming our subsidiary in March 2011 which had outstanding bank loans of RMB3.0 million, and (ii) an increase in Shanghai FSY Industry Development's bank loans of RMB10.0 million. Our gearing ratio decreased from 16.7% as of December 31, 2011 to 14.3% as of December 31, 2012, primarily due to the increase by 35.8% of our total equity from RMB280.6 million as of December 31, 2011 to RMB381.0 million as of December 31, 2012 and, partially offset by the increase of 16.4% in our total borrowings, from RMB47.0 million as of December 31, 2011 to RMB54.7 million as of December 31, 2012, primarily due to our acquisition of Jinzhou Maoshan Anling in May 2012 which had some outstanding bank loans.

Interest coverage ratio is profit before taxation and finance costs divided by finance costs for each financial period. Our interest coverage ratio for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 was 27.1, 22.9, 19.0 and 30.8, respectively. The decreases in our interest coverage ratio from 27.1 in 2010 to 22.9 in 2011, and further to 19.0 in 2012, were primarily due to the increase in our total borrowings over the same period. The increase in our interest coverage ratio from 19.0 for the year ended December 31, 2012 to 30.8 for the six months ended June 30, 2013 was primarily due to the increase in profit before taxation and finance costs, as a result of a gain on deemed disposal of an associate of RMB16.4 million in connection with our acquisition of control of Shanghai Nanyuan in January 2013.

LISTING EXPENSES

The total amount of listing expenses, commissions together with SFC transaction levy and Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately RMB81.5 million (based on the mid-point of our indicative price range for the Global Offering), of which approximately RMB52.5 million is expected to be capitalized after the Listing. The remaining approximately RMB29.0 million fees and expenses was or is expected to be charged to our profit and loss accounts, of which RMB8.3 million were charged for the period ended June 30, 2013.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including currency risk, interest rate risk, credit risk and liquidity risk.

Currency risk

The economic environment in which we operate is the PRC and their functional currency is RMB. However, certain bank balances, other payables and amounts due to related parties are denominated in foreign currencies, which expose us to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

Interest rate risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and other borrowings. We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances, restricted cash, borrowings and interest-bearing amounts due to related parties. Such variable rates are mostly linked to the People's Bank of China's benchmark rates.

We currently do not have a specific policy to manage our interest rate risk and have not entered into interest rate swaps to hedge our exposure, but we plan to closely monitor our interest rate risk exposure in the future.

Credit risk

Our maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the statements of financial position at the end of each reporting period.

Our credit risk primarily relates to our amounts due from related parties, other receivables, bank balances and cash and restricted cash. In addition, the credit risk in relation to our bank balances and restricted cash is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, we do not have significant concentration of credit risk arising from sale of burial plots, provision of funeral services and provision of cemetery maintenance services as these sales or provision of services are typically settled on a cash basis. Also, no trade receivables were due from customers as at December 31, 2010, 2011 and 2012 and June 30, 2013.

Liquidity risk

In the management of liquidity risk, our management monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

CONTINGENT LIABILITIES

As of June 30, 2013 and as of the Latest Practicable Date, we did not have any contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging services with us.

DIVIDEND POLICY

Subject to the Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve of our Company lawfully available for distribution including share premium.

We paid dividends to our shareholders in the amounts of RMB141.8 million, RMB87.6 million and RMB77.8 million, respectively, during the three years ended December 31, 2010, 2011 and 2012.

Considering our financial position, we have declared dividends to our original shareholders from our net distributable profits for the prior years and the fiscal year ended December 31, 2012 in the amount of RMB104.5 million and from our net distributable profit for the six months ended June 30, 2013 in the amount of RMB55.0 million. Investors in the Global Offering and persons becoming Shareholders after the Listing will not be entitled to the aforementioned dividend. We also intend to distribute to our shareholders no less than 25% of our net distributable profit for the year ending December 31, 2014 and for each fiscal year thereafter. However, we will re-evaluate our dividend policy annually.

DISTRIBUTABLE RESERVES

As of June 30, 2013, our distributable reserves were RMB182.5 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Listing as if the Listing had taken place on June 30, 2013.

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as at June 30, 2013(1)(5)(6)	Estimated net proceeds from the Global Offering(2)	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$(4)
Based on an Offer Price of HK$2.88 per Offer Share	302,813	1,068,626	1,371,439	0.69	0.87
Based on an Offer Price of HK$3.33 per Offer Share	302,813	1,241,283	1,544,096	0.77	0.98

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of our Company as at June 30, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2013 of approximately RMB345 million less the intangible assets and goodwill of the Group as of June 30, 2013 of approximately RMB42 million.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$2.88 per Offer Share and HK$3.33 per Offer Share, being the lower end and upper end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately HK$11 million listing-related expense which has been accounted for prior to June 30, 2013) payable by the Company in connection with the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the rate of HK$1.00 to RMB0.7911. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is calculated based on 2,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be allotted and issued upon the exercise of any options that have been granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or any Shares that may be issued or repurchase pursuant to the Company's general mandate.

(4) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is converted from Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.7911. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) As of September 30, 2013, our Group's property interests were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, and the related property valuation report is set out in Appendix III to this prospectus. The net valuation surplus of approximately RMB137 million, which represents the excess of market value over the carrying amount of our Group's property interests as at September 30, 2013, has not been included in the above consolidated net tangible assets of the Group attributable to owners of our Company as at June 30, 2013. The valuation surplus will not be incorporated in our Group's consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual amortization charge of approximately RMB3 million would be incurred.

(6) No adjustment has been made to the audited consolidated net tangible assets of our Group attributable to the owners of our Company as at June 30, 2013 to reflect any trading result or other transaction of our Group entered into subsequent to June 30, 2013. No adjustment has been made to reflect the declaration of dividends in aggregate amount of RMB55 million on December 3, 2013.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2013, and there is no event since June 30, 2013 which would materially affect the information shown in the "Accountant's Report", the text of which is set out in Appendix I to this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as at September 30, 2013 and is of the opinion that the value of our property interests as at such date was an aggregate amount of RMB386 million (the value attributable to us was RMB248 million). The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in the audited consolidated financial information as of June 30, 2013 as set out in Appendix I to this prospectus with the valuation of these properties as of September 30, 2013 as set out in Appendix III to this prospectus.

	(RMB million)
Net book value of the following properties as of June 30, 2013	
Prepaid lease payments included in cemetery assets	312
Prepaid lease payments included in inventories	16
	328
Less: Deposits for acquisition of land included in cemetery assets	(53)
Lease payments to individuals included in cemetery assets	(25)
Net book value as of June 30, 2013	250
Less: Depreciation and amortization during the period from July 1, 2013 to September 30, 2013	(1)
Net book value as of September 30, 2013	249
Net valuation surplus	137
Valuation of properties owned by our Group as at September 30, 2013 as set out in the property valuation report in Appendix III to this prospectus	386

FUTURE PLANS

For a detailed description of our future plans, see "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,460 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, and assuming the Over-allotment Option is not exercised and an Offer Price of HK$3.105 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

- approximately 52% or HK$759 million will be used to develop new cemeteries as follows:
  - — approximately 4% or HK$58 million will be used to acquire a plot of land in connection with construction of phase I of the planned Nanchang Hongfu Cultural Memorial Park, where we intend to offer burial services. We are targeting completion of the construction of phase I in the second half of 2014;
  - — approximately 48% or HK$701 million will be used to acquire lands for the construction of cemeteries at locations in major cities of other provinces in the PRC, where we intend to offer burial services;
- approximately 15% or HK$219 million will be used to set up new funeral facilities at locations in major cities of other provinces in the PRC;
- approximately 3% or HK$44 million will be used to expand the coverage of our sales network such as increase the size of our sales team, increase the number of our customer service centers in the PRC and upgrade our Group's information technology system;
- approximately 20% or HK$292 million will be used for mergers and acquisitions of other cemeteries and/or funeral facilities in the PRC; and
- approximately 10% or HK$146 million will be used for working capital and other general corporate purposes.

When using the net proceeds to acquire land for the construction of cemeteries, we will consider factors such as the size and location of the land, the land's natural surroundings, and local demographics such as population density, age and mortality rates and average household income and local burial traditions, in determining a site's suitability for cemetery development and whether or not it should be purchased. We will also apply similar considerations with respect to using the net proceeds to set up new funeral facilities, and we will consider factors such as the size and location of the prospective funeral facility, and local demographics such as population density, age and mortality rates and average household income and local funeral traditions, in determining the suitability for setting up funeral facility. With respect to using the proceeds for mergers and acquisitions of other cemeteries and/or funeral facilities, we would generally consider the various risks involved and the financial return we expect to derive from the merger or acquisition. In particular, we would also consider merging with or acquiring a cemetery and/or funeral facility where this would allow us to easily enter a less accessible target market. Such markets could have initially been less accessible to us as favorable sites and operating licenses in these locations may be relatively more difficult to procure. Mergers or acquisitions with existing operators in those markets would allow us to quickly overcome these problems.

In the event that the Offer Price per Offer Share is not finally determined to be HK$3.105, the amount of proceeds for each use set out above will be increased or reduced, as the case may be, on a pro-rata basis.

In the event that the Over-allotment Option is exercised in full, we estimate we would receive additional net proceeds of approximately HK$226 million, assuming an Offer Price of HK$3.105 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use the additional net proceeds for mergers and acquisitions of other cemeteries and/or funeral facilities in the PRC.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank financing.

UNDERWRITERS

Hong Kong Underwriters

Joint Lead Managers

Citigroup Global Markets Asia Limited
UBS AG, Hong Kong Branch
CIMB Securities Limited

Co-Manager

First Shanghai Securities Limited

International Underwriters

Citigroup Global Markets Limited
UBS AG, Hong Kong Branch
CIMB Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 50,000,000 Hong Kong Public Offering Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Public Offering Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offering Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development concerning or relating to:

(i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, any member of the European Union, Singapore or any other relevant jurisdiction (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or an appreciation of the Renminbi against the currency of any of the United States, the European Union, the United Kingdom or Japan) in or affecting any Relevant Jurisdiction); or

(iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or

(iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or

(v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction or the Global Offering; or

(vi) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, the London Stock Exchange, or (B) a general moratorium on commercial banking activities in New York, London, the Cayman Islands, Hong Kong or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vii) any adverse change or development or prospective adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of our Group; or

(ix) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(x) a contravention by any member of our Group of a material provision of the Companies Ordinance or companies law of the Cayman Islands or the Listing Rules or the laws of such member company's own jurisdiction; or

(xi) the issue or requirement to issue by our Company of a supplementary prospectus, application form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

(xii) any adverse change or development involving a reasonably likely adverse change of any of the risks set out in the section headed "Risk Factors" in this prospectus or the occurrence of any such events therein; or

(xiii) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xiv) any litigation or claim being threatened or instigated against our Company or any member of our Group or any Director; or

(xv) the chairman or chief executive officer of our Company vacating his or her office for any reason; or

(xvi) any event, act or omission which gives or may give rise to any liability of our Company, FSG Holding, Chief Union, Bai Xiaojiang or Wang Jisheng pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as may be applicable, or

(xvii) any breach of the obligations or undertakings of our Company or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(xviii) any matter having risen or having been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been so disclosed in this prospectus, would be considered as a material omission in the opinion of the Sole Global Coordinator;

and which, in any such case, whether individually or in aggregate and in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(A) is or may or will be or is reasonably likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company and its subsidiaries taken as a whole; or

(B) has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, incapable inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice or the offering circular in relation to the International Offering; or

(b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and any notices, announcements, advertisements, communications, or other documents in the agreed form issued by our Company in connection with the Hong

Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or incomplete in any material respect or misleading, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) any of the representations, warranties and undertakings given by our Company, FSG Holding, Chief Union, Bai Xiaojiang and Wang Jisheng in the Hong Kong Underwriting Agreement is (or might when repeated be) untrue, inaccurate or misleading in any respect; or

(iv) any event, act or omission which gives or may give rise to any material liability of our Company pursuant to the indemnities given by our Company, FSG Holding, Chief Union, Bai Xiaojiang and Wang Jisheng under the Hong Kong Underwriting Agreement; or

(v) any material breach of any of the obligations of our Company, FSG Holding, Chief Union, Bai Xiaojiang and Wang Jisheng under the Hong Kong Underwriting Agreement; or

(vi) any material breach of any of the obligations of any party (other than the Sole Global Coordinator or the Underwriters, if applicable) to any of the reorganization documents, the Deed of Indemnity, the Deed of Non-competition, the Price Determination Agreement, the Receiving Bankers Agreements, the registrar agreements and the Stock Borrowing Agreement; or

(vii) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations in the financial or trading position or prospects or performance of our Company and its subsidiaries taken as a whole; or

(viii) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries; or

(ix) any of our reporting accountants, our property valuer, our Cayman Islands legal advisors or our PRC legal advisors have withdrawn their respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(x) approval-in-principle from the Stock Exchange for the listing of, and permission to deal in the Offer Shares, including any additional Shares sold pursuant to the exercise of the Over-allotment Option, the Shares in issue and any Shares which may be issued upon the exercise of the Over-allotment Option or any options including the share option schemes adopted by our Company, is refused or not granted, other than customary conditions imposed by the Stock Exchange on such listing or permission to deal in relation to the conditions to be satisfied by 8.00 a.m. on the Listing Date, on or before the listing approval date, or if granted, such approval being subsequently withdrawn, subject to qualifications (except for customary conditions imposed by the Stock Exchange on such listing or permission to deal in relation to the conditions to be satisfied by 8.00 a.m. on the Listing Date) or withheld; or

(xi) our Company withdraws any of this prospectus, the Applications Forms, the preliminary offering circular or the final offering circular or the Global Offering,

then the Sole Global Coordinator may, on behalf of the Hong Kong Underwriters, in its sole discretion and upon giving notice to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings

Undertakings pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1)(a) of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange that they will not, and shall procure that any other registered holder (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules, and except pursuant to the Global Offering or the Over-allotment Option:

(i) at any time during the period commencing from the date of this prospectus, and ending on the date which is six months from the Listing Date (the "**First Six Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires (the "**Second Six Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the controlling shareholder (as defined under the Listing Rules) of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder (as defined under the Listing Rules) from using the shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Our Controlling Shareholders have further undertaken to the Stock Exchange that they will, within a period of twelve months from the Listing Date, immediately inform us and the Stock Exchange of:

(i) any pledges or charges of any Shares or securities of the Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and

(ii) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders or their shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder or its shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company hereby agrees and undertakes with each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), it will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-Month Period:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, warrant or contract to purchase or subscribe for, lend, purchase any option, right, warrant or contract to sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(ii) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of the foregoing transactions described in sub-paragraphs (i) to (iv) above is to be settled by delivery of share capital or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the aforesaid period).

If our Company enters into any of the foregoing transactions described in sub-paragraphs (i) to (iv) above during the period of six months commencing on (the Second Six-Month Period), our Company must take all necessary steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Undertakings by FSG Holding and Chief Union

Each of FSG Holding and Chief Union hereby agrees and undertakes with the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or if applicable, the Stock Borrowing Agreement, none of FSG Holding and Chief Union will, without the prior written consent of the Sole Global Coordinator, at any time during the First Six-Month Period:

(i) offer, pledge, charge, mortgage, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by FSG Holding and Chief Union (including holding as a custodian) or with respect to which any of FSG Holding and Chief Union has beneficial ownership (collectively the "**Lock-up Shares**") (the foregoing restriction is expressly agreed to preclude FSG Holding and Chief Union from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than FSG Holding and Chief Union, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the aforesaid period).

During the Second Six-Month Period, FSG Holding and Chief Union will not enter into any of the foregoing transactions in sub-clauses (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of FSG Holding or Chief Union will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company.

Until the expiry of the Second Six-Month period, in the event that any of FSG Holding or Chief Union enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with FSG Holding, Chief Union, Bai Xiaojiang, Wang Jisheng, the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offering Shares or procure purchasers for the International Offering Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings."

Under the International Underwriting Agreement, our Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager, on behalf of the International Underwriters at any time from the Listing Date, up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 75,000,000 Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

It is expected that FSG Holding and Chief Union will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings."

Underwriting Commission and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive a gross commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Public Offering Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Public Offering Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters, the SFC transaction levies and Stock Exchange trading fees will be borne by our Company in relation to the Hong Kong Public Offering Shares and International Offering Shares.

Our Company may also in its sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 1.0% of the Offer Price multiplied by the total number of Hong Kong Public Offering Shares, to be allocated in such manner as we may determine.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$3.105, being the mid-point of our offer price range of HK$2.88 and HK$3.33 per Share, the fees and commissions in connection with the Hong Kong Public Offering and the International Offering, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and other expenses in connection with the Global Offering payable by us are estimated to be approximately HK$103 million.

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' Interests in our Company

Save as disclosed in this prospectus and other than pursuant to its obligations under the relevant Underwriting Agreement, none of the Underwriters is interested legally or beneficially in any shares of any member of our Company or any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Company.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Sole Sponsors' Independence

Citi satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Citi adheres strictly to its high standards of duty of care owing to its clients, and benefits from its corporate governance and independence rules that ensure that independent judgment and decision of the investment banking team on its assignment. Sophisticated segregation and Chinese wall arrangements that are compliant with the SFC's Code of Conduct for Licensed Persons are also set in place to ensure the independence of the Sole Sponsor team in charge of the Listing.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 50,000,000 Shares (subject to adjustment) in Hong Kong as described under the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; and

(ii) the International Offering of 450,000,000 Shares (subject to adjustment and the Over-allotment Option), which are to be offered in the United States with QIBs in reliance on Rule 144A or other exemptions and outside the United States in reliance on Regulation S.

Citi is the Sole Global Coordinator and the Sole Sponsor of the Global Offering. Citi, UBS and CIMB are the Joint Bookrunners and the Joint Lead Managers of the Hong Kong Public Offering and Citigroup Global Markets Limited, UBS and CIMB are the Joint Bookrunners and the Joint Lead Managers of the International Offering.

Investors may apply for the Hong Kong Public Offering Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve private placements of the International Offering Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offering Shares. Prospective professional, institutional and other investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to adjustment as described in the section headed "Structure of the Global Offering — Pricing and Allocation".

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at difference prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, December 12, 2013 and in any event on or before Tuesday, December 17, 2013, by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Sole Global Coordinator, on behalf of the Underwriters, and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Offering. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the International Offering on Offer Shares purchased by them will be paid by us.

The Offer Price will not be more than HK$3.33 per Offer Share and is expected to be not less than HK$2.88 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) with the consent of our Company may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on Thursday, December 12, 2013, cause to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the Stock Exchange website (**www.hkexnews.hk**) and our Company website (**www.fsygroup.com**) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for the Hong Kong Public Offering Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this prospectus.

The Hong Kong Public Offering Shares and the International Offering Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Global Coordinator. Allocation of the International Offering Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation of Hong Kong Public Offering Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants. Although the allocation of Hong Kong Public Offering Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

The final Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Public Offering Shares are expected to be announced on Wednesday, December 18, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.fsygroup.com**.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK$1,460 million, assuming an Offer Price of HK$3.105 per Offer Share, being the mid-point of the proposed offer price range of HK$2.88 to HK$3.33.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalization Issue (including any additional Shares which may be sold pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme) (subject only to allotment and dispatch of the share certificates in respect thereof and such other normal conditions acceptable to the Company and the Sole Global Coordinator, on behalf of the Underwriters) not later than 8:00 a.m., Thursday, December 19, 2013 (or such later date as the Company and the Sole Global Coordinator on behalf of the Hong Kong Underwriters may agree) and such Listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

(ii) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

(iii) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Tuesday, December 17, 2013, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the Stock Exchange website (**www.hkexnews.hk**) and our Company website (**www.fsygroup.com**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offering Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Wednesday, December 18, 2013 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Thursday, December 19, 2013, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 50,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 500,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

In Hong Kong, individual retail investors are expected to apply for Hong Kong Public Offering Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offering Shares will not be allotted International Offering Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Public Offering Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Shares.

For allocation only, the 50,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A comprising 25,000,000 Hong Kong Public Offering Shares and Pool B comprising 25,000,000 Hong Kong Public Offering Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Public Offering Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offering Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Public Offering Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Public Offering Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offering Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 50,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 25,000,000 Hong Kong Public Offering Shares) are liable to be rejected.

For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 150,000,000, 200,000,000 and 250,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "**Mandatory Reallocation**". In each case, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Public Offering Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offering Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.33 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Structure of the Global Offering — Pricing and Allocation in this prospectus, is less than the maximum price of HK$3.33 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Public Offering Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of International Offering Shares to be initially offered for subscription or sale under the International Offering will be 450,000,000 Shares representing 90% of the Offer Shares under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in distribution of our Shares on a basis which would lead to the establishment of a solid professional institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager or any person acting for it may choose to borrow Shares from Wish and Catch Limited, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

(i) such stock borrowing arrangement with Wish and Catch Limited will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;

(ii) the maximum number of Shares borrowed from Wish and Catch Limited under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Wish and Catch Limited or their nominees on or before the third business day following the earlier of (I) the last day on which the Over-allotment Option may be exercised, or (II) the day on which the Over-allotment Option is exercised in full;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and

(v) no payment will be made to Wish and Catch Limited by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

OVER-ALLOTMENT OPTION

We are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilizing Manager (after having consulted with, and obtaining the agreement of, the Sole Global Coordinator (such agreement not to be unreasonably withheld)) on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Stabilizing Manager (after having consulted with, and obtaining the agreement of, the Sole Global Coordinator (such agreement not to be unreasonably withheld)) will have the right to require the Company to allot and issue up to 75,000,000 additional Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price to, among others, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offering Shares will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Citi, as Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 75,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the Securities and Futures Ordinance includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment

Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;

(iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on January 10, 2014, being the last trading day before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for them (after having consulted the Sole Global Coordinator) may cover such over-allocation by (among other methods) using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for them in the secondary market at prices that do not exceed the Offer Price, exercising the Over-allotment Option in full or in part or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures

(Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 75,000,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 19, 2013, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 19, 2013. The share will be traded in board lots of 1,000 shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that our Company, FSG Holding, Chief Union, Bai Xiaojiang, Wang Jisheng, the International Underwriters, the Sole Global Coordinator and the Joint Bookrunners will, on or about Thursday, December 12, 2013, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Public Offering Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Public Offering Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the White Form eIPO Service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the designated White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offering Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the White Form eIPO Service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of White Form eIPO Service for the Hong Kong Public Offering Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offering Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFERING SHARES

Which Application Channel to Use

For Hong Kong Public Offering Shares to be issued in your own name, use a WHITE Application Form or apply online through www.eipo.com.hk.

For Hong Kong Public Offering Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, December 9, 2013 until 12:00 noon on Thursday, December 12, 2013, from:

(i) any of the following office of the Hong Kong Underwriter:

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower,
Citibank Plaza, 3 Garden Road,
Central,
Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Shun Tak Centre	Shop 294-295, 296 A&B, 2/F, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok

	Branch Name	Address
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

You can collect a YELLOW Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, December 9, 2013 until 12:00 noon on Thursday, December 12, 2013, from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199, Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Fu Shou Yuan Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, December 9, 2013 — 9:00 a.m. — 5:00 p.m.
Tuesday, December 10, 2013 — 9:00 a.m. — 5:00 p.m.
Wednesday, December 11, 2013 — 9:00 a.m. — 5:00 p.m.
Thursday, December 12, 2013 — 9:00 a.m. — 12:00 noon

The application lists will be open from 11:45 a.m. to 12 noon on Thursday, December 12, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO Service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offering Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offering Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offering Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offering Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offering Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the White Form eIPO Service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the "Who can apply" section, may apply through the White Form eIPO Service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the White Form eIPO Service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the designated White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the designated White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the White Form eIPO Service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 9, 2013, until 11:30 a.m. on Thursday, December 12, 2013, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 12, 2013, or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of White Form eIPO, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the White Form eIPO Service to make an application for Hong Kong Public Offering Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under White Form eIPO more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the White Form eIPO Service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of paper via the self-serviced and electronic application process. The designated White Form eIPO Service Provider, will contribute HK$2 for each "Fu Shou Yuan International Group Limited" White Form eIPO application submitted via the www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Public Offering Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offering Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offering Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offering Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offering Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offering Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offering Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offering Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may

revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Public Offering Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offering Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Public Offering Shares. Instructions for more than 1,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offering Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, December 9, 2013 — 9:00 a.m. — 8:30 p.m.[(1)]
Tuesday, December 10, 2013 — 8:00 a.m. — 8:30 p.m.[(1)]
Wednesday, December 11, 2013 — 8:00 a.m. — 8:30 p.m.[(1)]
Thursday, December 12, 2013 — 8:00 a.m.[(1)] — 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, December 9, 2013 until 12:00 noon on Thursday, December 12, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, December 12, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offering Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offering Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offering Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offering Shares through the White Form eIPO Service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the White Form eIPO Service will be allotted any Hong Kong Public Offering Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to the CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, December 12, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offering Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the White Form eIPO Service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it

which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFERING SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the White Form eIPO Service in respect of a minimum of 1,000 Hong Kong Public Offering Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 12, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 12, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the fixed Offer Price, the indication of level of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering on Wednesday, December 18, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at www.fsygroup.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations in Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering (where applicable) will be available on the above websites at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.fsygroup.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, December 18, 2013;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, December 18, 2013 to 12:00 midnight on Tuesday, December 24, 2013;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, December 18, 2013 to Saturday, December 21, 2013;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, December 18, 2013 to Friday, December 20, 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offering Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offering Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the White Form eIPO Service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offering Shares is void:

The allotment of Hong Kong Public Offering Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offering Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the White Form eIPO service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offering Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.33 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be without interest and will be made on Wednesday, December 18, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offering Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offering Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offering Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first- named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, December 18, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, December 19, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offering Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 18, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, December 18, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offering Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offering Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, December 18, 2013, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, December 18, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in

"Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 18, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offering Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Public Offering Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 18, 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, December 18, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offering Shares

For the purposes of allocating Hong Kong Public Offering Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 18, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, December 18, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 18, 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offering Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, December 18, 2013. Immediately following the credit of the Hong Kong Public Offering Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offering Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 18, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountant of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

December 9, 2013

The Directors
Fu Shou Yuan International Group Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Fu Shou Yuan International Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2012 and for the six months ended June 30, 2013 (the "Track Record Period") for inclusion in the prospectus of the Company dated December 9, 2013 (the "Prospectus") in connection with the proposed initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on January 5, 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganization (the "Reorganization"), as explained in the paragraphs headed "Shareholding of our Listing Vehicle" in the section "History and Reorganization" of the Prospectus, the Company became the holding company of its subsidiaries on February 14, 2013.

The direct and indirect interests in the following subsidiaries held by the Company during the Track Record Period and at the date of this report are as follows:

Name of subsidiaries#	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013		
				%	%	%	%	%	
Directly held:									
Fu Shou Yuan Group (Hong Kong) Limited* "FSY Hong Kong" 福壽園集團(香港)有限公司	Hong Kong	October 10, 2011	2 Shares of HK$1.00 each	—	100	100	100	100	Investment holding

Name of subsidiaries#	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013		
				%	%	%	%	%	
Indirectly held:									
Chongqing Fu Shou Yuan Industrial Company Limited*^ "Chongqing FSY Industrial" 重慶福壽園實業有限公司	The People's Republic of China (the "PRC")	January 18, 2011	RMB89,940,896	—	100	100	100	100	Investment holding
Shanghai Fu Shou Yuan Industry Development Company Limited^ "Shanghai FSY Industry Development" 上海福壽園實業發展有限公司	PRC	February 21, 1994	RMB30,000,000	100	100	100	100	100	Provision of burial services
Shanghai Fu Shou Yuan Corporate Management Consultancy Company Limited^ "Shanghai FSY Corporate Management Consultancy" 上海福壽園企業管理諮詢有限公司	PRC	September 9, 2002	RMB5,000,000	100	100	100	100	100	Provision of consulting services relating to burial and cemetery maintenance
Henan Fu Shou Yuan Industrial Company Limited^ "Henan FSY Industrial" 河南福壽園實業有限公司 (note (a))	PRC	July 7, 2003	RMB30,120,000	55	55	55	100	100	Provision of burial services

Name of subsidiaries[#]	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013		
				%	%	%	%	%	
Zhengzhou Longhu Plants and Flowers Company Limited^ "Zhengzhou Longhu" 鄭州龍湖苗木花卉有限公司 (note (b))	PRC	October 27, 2005	RMB1,000,000	55	55	55	100	(note(j))	Planting and sale of flowers and nursery stock
Chongqing Fu Shou Yuan Corporate Management Consultancy Company Limited*^ "Chongqing FSY Consultancy" 重慶福壽園企業管理諮詢有限公司	PRC	August 9, 2010	RMB10,000,000	100	100	100	100	100	Investment holding
Hefei Dashushan Culture Cemetery Company Limited^ "Hefei Dashushan Co" 合肥大蜀山文化陵園有限公司 (note (c))	PRC	February 22, 2002	RMB10,000,000	60	60	60	60	60	Provision of burial services
Hefei Renben Funeral Arrangement Services Company Limited^ "Hefei Renben" 合肥人本殯儀服務有限公司 (note (d))	PRC	September 27, 2008	RMB1,200,000	60	60	60	60	60	Provision of funeral services
Hefei Huazhijian Flowers Company Limited*^ "Hefei Huazhijian" 合肥花之間花卉有限公司 (note (d))	PRC	May 13, 2010	RMB500,000	60	60	60	60	60	Provision of flowers and related designing services

Name of subsidiaries#	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013		
				%	%	%	%	%	
Chongqing Anle Services Company Limited^ "Chongqing Anle Services" 重慶安樂服務有限公司	PRC	September 11, 1997	RMB1,000,000	100	100	100	100	100	Provision of funeral services
Chongqing Anle Funeral Services Company Limited^ "Chongqing Anle Funeral Services" 重慶安樂殯儀服務有限公司	PRC	January 23, 2003	RMB1,000,000	100	100	100	100	100	Provision of funeral services
Shanghai Fu Shou Yuan Funeral Arrangement Services Co., Ltd*^ "Shanghai FSY Funeral Arrangement Services" 上海福壽園禮儀服務有限公司	PRC	May 17, 2011	RMB500,000	—	100	100	100	100	Provision of burial services
Jinzhou City Maoshan Anling Company Limited^ "Jinzhou Maoshan Anling" 錦州市帽山安陵有限責任公司 (note (e))	PRC	January 7, 2004	RMB8,000,000	—	—	84.27	100	100	Provision of burial services
Fumao Corporate Management Consultancy (Shanghai) Company Limited*^ "Fumao" 福泖企業管理諮詢(上海)有限公司	PRC	January 27, 2011	RMB5,000,000	—	100	100	100	100	Investment holding

Name of subsidiaries[#]	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013		
				%	%	%	%	%	
Chongqing Fu Shou Yuan Shareholding Investment Corporation (Limited Partnership)*⁻ "Chongqing FSY LLP" 重慶福壽園股權投資企業(有限合夥)	PRC	November 10, 2010	RMB52,138,207	100	100	100	100	100	Investment holding
Nanchang Hongfu Humanities Memorial Company Limited^ "Nanchang Hongfu" 南昌洪福人文紀念有限責任公司 (note (f))	PRC	November 17, 2009	RMB90,000,000	—	—	50.89	50.89	50.89	Sale of funeral and coffin furnishings and burial plots
Chongqing Fuyuan Corporate Management Consultancy Company Limited*+ "Chongqing Fuyuan" 重慶福元企業管理諮詢有限公司	PRC	January 20, 2012	US$1,000,000	—	—	100	100	100	Investment holding
Xiamen Huaixiang Funeral Arrangement Services Company Limited*^ "Xiamen Huaixiang" 廈門懷祥禮儀服務有限公司	PRC	December 31, 2012	RMB1,500,000	—	—	90	90	90	Provision of funeral services

Name of subsidiaries#	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013		
				%	%	%	%	%	
Anhui Province Zhongfude Power Saving Environmental Friendly Technology Company Limited*^ "Anhui Zhongfude" 安徽省中福德節能環保科技有限公司	PRC	November 20, 2012	RMB10,000,000	—	—	100	100	100	Manufacturing of cremation devices
Shandong Fu Shou Yuan Development Company Limited^ "Shandong FSY Development" 山東福壽園發展有限公司	PRC	December 29, 2001	RMB10,000,000	(note(g))	50	50	50	50	Provision of burial services
Ningbo Yongyi Funeral Services Company Limited*^ "Ningbo Yongyi" 寧波永逸殯葬禮儀服務有限公司 (note (h))	PRC	January 9, 2013	RMB1,000,000	—	—	—	80	80	Provision of funeral services
Shanghai Nanyuan Industrial Development Co., Ltd.^ "Shanghai Nanyuan" 上海南院實業發展有限公司	PRC	January 25, 2007	RMB50,000,000	(note (i))	(note(i))	(note(i))	40	40	Provision of burial services

Name of subsidiaries#	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company					Principal activities
				At December 31,			At June 30,	At the date of this report	
				2010	2011	2012	2013	report	
				%	%	%	%	%	
Shanghai Zhongdefu Power Saving Environmental Friendly Technology Company Limited*^ "Shanghai Zhongdefu" 上海中德福節能環保科技有限公司	PRC	March 21, 2013	RMB10,000,000	—	—	—	100	100	Sales and after-sales services of cremation devices
Shanghai Senfu Vegetable And Fruit Technology Company Limited^ "Shanghai Senfu" 上海森福蔬果科技有限公司	PRC	July 2, 2013	RMB1,600,000	—	—	—	—	51	Inactive

\# The English names of all subsidiaries established in the PRC are translated for identification purpose only.

* These entities are set up during the Track Record Period.

^ These entities are established in the PRC in the form of domestic limited liability company.

\+ These entities are established in the PRC in the form of wholly foreign-owned enterprise.

− The entity is established in the PRC in the form of limited liability partnership.

Notes:

(a) During the three years ended December 31, 2012 and up to January 14, 2013, the Group has 72.76% voting rights in the shareholders' meeting of Henan FSY Industrial, 55% of which was directly held by the Group, and 17.76% of which was assigned unconditionally and without conditions to the Group, while a valid resolution requires more than 66.67% of the vote from all shareholders. The Group has the practical ability to direct the relevant activities of Henan FSY Industrial unilaterally. Therefore, Henan FSY Industrial is accounted for as a non-wholly owned subsidiary of the Group for the three years ended December 31, 2012 and up to January 14, 2013. On January 15, 2013, Shanghai FSY Industry Development, a wholly-owned subsidiary of the Group, acquired the remaining 45% equity in Henan FSY Industrial from non-controlling interests for a consideration of RMB17,688,000. After the acquisition, Henan FSY Industrial became an indirectly wholly-owned subsidiary of the Company.

(b) Zhengzhou Longhu is a wholly owned subsidiary of Henan FSY Industrial. Since the Group has the practical ability to direct the relevant activities of Henan FSY Industrial unilaterally as set out in note (a), Zhengzhou Longhu is accounted for as a subsidiary of the Group during the Track Record Period.

(c) The Group has 60% voting rights in the shareholders' meeting of Hefei Dashushan Co., while a valid resolution requires more than 50% of the vote from all shareholders. The Group has the practical ability to direct the relevant activities of Hefei Dashushan Co. unilaterally. Therefore, Hefei Dashushan Co. is accounted for as a subsidiary of the Group during the Track Record Period.

(d) Henfei Renben and Hefei Huazhijian are wholly owned subsidiaries of Hefei Dashushan Co, a 60% owned subsidiary of the Group. Since the Group has the practical ability to direct the relevant activities of Hefei Dashushan Co. unilaterally as set out in note (c), Henfei Renben and Hefei Huazhijian are accounted for as subsidiaries of the Group.

(e) Controlling interests are acquired in May 2012 and the remaining 15.73% in Jinzhou Maoshan Anling is held by Jinzhou City Cemetery Administration (錦州市公墓管理處). This entity has become a wholly-owned subsidiary of the Company on January 10, 2013. Details are set out in note 33 (b).

(f) Controlling interests are acquired on December 16, 2012 and the remaining 49.11% in Nanchang Hongfu is held by Anyi Municipal Public Investment Construction Co., Ltd (南昌市政公用投資控股有限責任公司) (40%) and Nanchang Funeral Administration (南昌市殯葬管理處) (9.11%), respectively. Details are set out in note 33 (c).

(g) Shandong FSY Development was an associate of the Group prior to March 1, 2011. Controlling interests are acquired on March 1, 2011 and the remaining 50% in Shandong FSY Development is held by Shandong World Trade Centre (山東世界貿易中心). Details are set out in notes 21 and 33 (a).

(h) Controlling interests are acquired on January 28, 2013. The Company held 80% equity interest in Ningbo Yongyi and the remaining 20% equity interest is held as to 10% by Zhang Cheng (張成), an employee of our Group, and 10% by Li Xingyu (李杏雨), an independent third party.

(i) Shanghai Nanyuan was an associate of the Group prior to January 4, 2013. On January 4, 2013, the Group has been assigned irrevocable rights unconditionally and without conditions to direct the relevant activities of Shanghai Nanyuan unilaterally. As such, Shanghai Nanyuan is accounted for as a subsidiary of the Group from January 4, 2013. Details are set out in note 21 and 33(d).

(j) Zhengzhou Longhu was liquidated and deregistered on October 13, 2013.

The Company and its subsidiaries have adopted December 31 as their financial year end date.

No audited financial statements have been prepared for the Company since its incorporation as there is no such statutory requirement in the jurisdictions where it was incorporated. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company since its incorporation.

FSY Hong Kong's statutory financial statements from date of establishment to December 31, 2012 prepared in accordance with Hong Kong Financial Reporting Standards were audited by us.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of subsidiaries	Financial periods	Name of auditors^
Chongqing FSY Industrial	From date of establishment to December 31, 2011 and for the year ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Shanghai FSY Industry Development	For the three years ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Shanghai FSY Corporate Management Consultancy	For the three years ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Henan FSY Industrial	For the three years ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP

Name of subsidiaries	Financial periods	Name of auditors^
Zhengzhou Longhu#	For the year ended December 31, 2011	Henan Xinze Certified Public Accountants Co., Ltd.
Chongqing FSY Consultancy	From date of establishment to December 31, 2010	Shanghai YingMingde Certified Public Accountants LLP
	For the year ended December 31, 2011	Chongqing Haite Certified Public Accountants Co., Ltd.
	For the year ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Hefei Dashushan Co	For the three years ended December 31, 2012	AnRui (AnHui) Certified Public Accountants Co., Ltd.
Hefei Renben	For the three years ended December 31, 2012	AnRui (AnHui) Certified Public Accountants Co., Ltd.
Hefei Huazhijian	From date of establishment to December 31, 2010 and for the two years ended December 31, 2012	AnRui (AnHui) Certified Public Accountants Co., Ltd.
Chongqing Anle Services	For the three years ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Chongqing Anle Funeral Services	For the two years ended December 31, 2011	Chongqing Diwei Public Accountants Co., Ltd.
	For the year ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Shanghai FSY Funeral Arrangement Services	For the year ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Jinzhou Maoshan Anling	For the year ended December 31, 2012	Liaoning Zhongheng Certified Public Accountants Co., Ltd. Jinzhou Branch
Fumao*	For the year ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Chongqing FSY LLP	From date of establishment to December 31, 2010	Shanghai YingMingde Certified Public Accountants LLP
	For the year ended December 31, 2011	Chongqing Haite Certified Public Accountants Co., Ltd.
	For the year ended December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Nanchang Hongfu	For the year ended December 31, 2012	Jiangxi Huipu Certified Public Accountants Co., Ltd.

Name of subsidiaries	Financial periods	Name of auditors^
Chongqing Fuyuan	From date of establishment to December 31, 2012	Shanghai YingMingde Certified Public Accountants LLP
Shandong FSY Development	For the year ended December 31, 2011	Shanghai YingMingde Certified Public Accountants LLP
	For the year ended December 31, 2012	Pan-China Certified Public Accountants LLP Shandong Branch

^ Shanghai YingMingde Certified Public Accountants LLP, Henan Xinze Certified Public Accountants Co., Ltd., Chongqing Haite Certified Public Accountants Co., Ltd., AnRui (AnHui) Certified Public Accountants Co., Ltd., Chongqing Diwei Public Accountants Co., Ltd., Liaoning Zhongheng Certified Public Accountants Co., Ltd. Jinzhou Branch, Jiangxi Huipu Certified Public Accountants Co., Ltd. and Pan-China Certified Public Accountants LLP Shandong Branch are translated names of 上海應明德會計師事務所(特殊普通合夥), 河南信則會計師事務所有限公司, 重慶海特會計師事務所, 安徽安瑞會計師事務所, 重慶諦威會計師事務所有限公司, 遼寧中衡會計師事務所有限責任公司錦州分所, 江西惠普會計師事務所有限公司, 天健會計師事務所(特殊普通合夥)山東分所 respectively, for identification purpose.

No audited statutory financial statements for 2010 and 2012 has been prepared because there is no statutory requirement to prepare statutory financial statement in the respective year.

* No audited statutory financial statements for 2011 have been prepared because there is no statutory requirement to prepare statutory financial statement in that year.

Note: No audited statutory financial statements have been prepared for Xiamen Huaixiang and Anhui Zhongfude within the Track Record Period because those are set up in late 2012 and there is no statutory requirement to prepare statutory financial statement in that year. No audited statutory financial statements have been prepared for Ningbo Yongyi and Shanghai Nanyuan because those are set up subsequent to December 31, 2012.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements for the Track Record Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 of Section A below. No adjustments were considered necessary to the Underlying Financial Statements in the preparation of the Financial Information inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2010, 2011, 2012 and June 30, 2013 and of the Company as at December 31, 2012 and June 30, 2013 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended June 30, 2012 together with the notes thereon (the "June 2012 Financial Information") have been extracted from the Group's unaudited consolidated financial information for the same period, which was prepared by the Directors solely for the purpose of this report. We have reviewed the June 2012 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of June 2012 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	8	350,470	421,420	479,977	232,484	306,656
Cost of sales and services		(67,783)	(77,628)	(93,659)	(47,001)	(60,217)
Gross profit		282,687	343,792	386,318	185,483	246,439
Other income and gains, net	9	3,217	18,845	9,789	6,130	29,650
Distribution and selling expenses		(57,900)	(71,778)	(95,214)	(52,816)	(52,586)
Administrative expenses		(75,124)	(103,062)	(104,062)	(45,509)	(50,519)
Finance costs	10	(5,870)	(8,615)	(10,837)	(5,486)	(5,351)
Other expenses	11	—	—	—	—	(8,298)
Share of profits of associates	21	6,225	9,366	8,638	4,675	—
Profit before taxation	11	153,235	188,548	194,632	92,477	159,335
Income tax expense	13	(39,567)	(46,973)	(56,431)	(23,750)	(41,198)
Profit and total comprehensive income for the year/period		113,668	141,575	138,201	68,727	118,137
Total comprehensive income attributable to:						
Owners of the Company		104,253	130,692	124,270	63,654	99,595
Non-controlling interests		9,415	10,883	13,931	5,073	18,542
		113,668	141,575	138,201	68,727	118,137
Earnings per share, basic (in RMB)	15	0.07	0.09	0.08	0.04	0.07

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company	
		At December 31,			At June 30,	At December 31,	At June 30,
	NOTES	2010	2011	2012	2013	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets							
Property and equipment	16	81,089	86,086	121,533	145,509	—	—
Intangible assets	17	12,735	12,633	12,541	13,718	—	—
Cemetery assets	18	148,509	271,889	337,865	444,364	—	—
Restricted cash	19	14,730	16,933	18,159	18,724	—	—
Investment in a subsidiary	20	—	—	—	—	—	—
Interests in associates	21	42,645	42,700	45,120	100	—	—
Deferred tax assets	23	21,390	26,528	32,910	33,823	—	—
Goodwill	24	14,769	14,769	18,507	28,102	—	—
		335,867	471,538	586,635	684,340	—	—
Current assets							
Inventories	25	71,802	98,106	111,164	167,355	—	—
Other receivables	26	16,676	23,658	37,765	60,737	—	2,766
Amounts due from related parties	37(a)	36,493	30,300	12,798	10,774	—	—
Bank balances and cash	27	161,168	221,898	286,860	307,756	11	10
Held for trading investments	22	417	—	—	—	—	—
		286,556	373,962	448,587	546,622	11	2,776
Current liabilities							
Trade and other payables	28	99,909	117,631	155,538	140,548	—	—
Deferred income	30	5,226	6,700	8,419	11,472	—	—
Amount due to a subsidiary	20	—	—	—	—	—	11,114
Dividends payable		2,568	28,063	35,983	140,483	—	—
Dividends payable to non-controlling interests		—	—	—	10,000	—	—
Amounts due to related parties	37(b)	30,939	54,182	65,476	12,549	40	—
Income tax liabilities		56,879	78,780	93,211	128,009	—	—
Borrowings	29	19,950	39,950	50,550	58,150	—	—
		215,471	325,306	409,177	501,211	40	11,114
Net current assets (liabilities)		71,085	48,656	39,410	45,411	(29)	(8,338)
Total assets less current liabilities		406,952	520,194	626,045	729,751	(29)	(8,338)

		The Group				The Company	
		At December 31,			At June 30,	At December 31,	At June 30,
	NOTES	2010	2011	2012	2013	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities							
Deferred income	30	104,903	118,133	127,445	133,757	—	—
Borrowings	29	14,000	7,000	4,100	—	—	—
Deferred tax liabilities	23	15,075	23,663	31,434	33,620	—	—
Amounts due to related parties	37(b)	500	36,178	36,175	—	—	—
Loan from non-controlling interests	38	1,048	54,572	45,889	48,627	—	—
		135,526	239,546	245,043	216,004	—	—
Net assets (liabilities)		271,426	280,648	381,002	513,747	(29)	(8,338)
Capital and reserves							
Paid-in/additional paid-in/ issued share capital	31	35,000	—	—	—	—	—
Reserves	32	181,908	204,537	243,087	344,633	(29)	(8,338)
Equity attributable to owners of the Company		216,908	204,537	243,087	344,633	(29)	(8,338)
Non-controlling interests		54,518	76,111	137,915	169,114	—	—
Total equity (deficit)		271,426	280,648	381,002	513,747	(29)	(8,338)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in/ additional paid-in/ issued share capital	Special reserve	Statutory surplus reserve	Other reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 32)	(note 32)	(note 32)				
At January 1, 2010	35,000	—	30,140	—	51,515	116,655	49,103	165,758
Profit and total comprehensive income for the year	—	—	—	—	104,253	104,253	9,415	113,668
Transfer to statutory reserve	—	—	1,710	—	(1,710)	—	—	—
Dividends recognized as distributions (note 14)	—	—	—	—	(4,000)	(4,000)	—	(4,000)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(4,000)	(4,000)
At December 31, 2010	35,000	—	31,850	—	150,058	216,908	54,518	271,426
Profit and total comprehensive income for the year	—	—	—	—	130,692	130,692	10,883	141,575
Deemed distribution to the equity holders pursuant to the Reorganization	(30,000)	—	—	—	—	(30,000)	—	(30,000)
Transfer upon reorganization	(5,000)	5,000	—	—	—	—	—	—
Acquisition of a subsidiary (note 33)	—	—	—	—	—	—	18,710	18,710
Transfer to statutory reserve	—	—	3,802	—	(3,802)	—	—	—
Dividends recognized as distributions (note 14)	—	—	—	—	(113,063)	(113,063)	—	(113,063)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(8,000)	(8,000)
At December 31, 2011	—	5,000	35,652	—	163,885	204,537	76,111	280,648

	Paid-in/ additional paid-in/ issued share capital	Special reserve	Statutory surplus reserve	Other reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 32)	(note 32)	(note 32)				
Profit and total comprehensive income for the year	—	—	—	—	124,270	124,270	13,931	138,201
New contribution from non-controlling interests	—	—	—	—	—	—	500	500
Transfer to statutory reserve	—	—	15,007	—	(15,007)	—	—	—
Acquisition of subsidiaries (note 33)	—	—	—	—	—	—	56,573	56,573
Dividends recognized as distributions (note 14)	—	—	—	—	(85,720)	(85,720)	—	(85,720)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(9,200)	(9,200)
At December 31, 2012	—	5,000	50,659	—	187,428	243,087	137,915	381,002
Profit and total comprehensive income for the period	—	—	—	—	99,595	99,595	18,542	118,137
Deemed contribution from the shareholders	—	79,667	—	—	—	79,667	—	79,667
Acquisition of additional interest in existing subsidiaries	—	—	—	26,784	—	26,784	(55,472)	(28,688)
Acquisition of a newly established subsidiary which is not a business	—	—	—	—	—	—	200	200
Acquisition of a subsidiary (note 33)	—	—	—	—	—	—	77,929	77,929
Dividends recognized as distributions (note 14)	—	—	—	—	(104,500)	(104,500)	—	(104,500)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(10,000)	(10,000)
At June 30, 2013	—	84,667	50,659	26,784	182,523	344,633	169,114	513,747

	Paid-in/ additional paid-in/ issued share capital	Special reserve	Statutory surplus reserve	Other reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 32)	(note 32)	(note 32)				
Unaudited								
At January 1, 2012	—	5,000	35,652	—	163,885	204,537	76,111	280,648
Profit and total comprehensive income for the period.	—	—	—	—	63,654	63,654	5,073	68,727
Acquisition of a subsidiary	—	—	—	—	—	—	12,375	12,375
Dividends paid to non-controlling interests	—	—	—	—	—	—	(9,200)	(9,200)
At June 30, 2012.	—	5,000	35,652	—	227,539	268,191	84,359	352,550

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before taxation	153,235	188,548	194,632	92,477	159,335
Adjustments for:					
Finance costs	5,870	8,615	10,837	5,486	5,351
Interest income	(2,767)	(5,478)	(7,304)	(3,570)	(3,168)
Investment income from held for trading investments	(1,084)	(109)	—	—	—
Depreciation of property and equipment	7,887	7,055	11,502	5,476	7,104
Amortization of cemetery assets	3,714	5,624	7,976	3,431	4,366
Amortization of intangible assets	282	289	340	168	187
Net (gain) loss on disposal of property and equipment	(3)	(89)	(65)	2	(701)
Gain on deemed disposal of an associate (note 33)	—	(13,872)	—	—	(16,428)
Share of profits of associates	(6,225)	(9,366)	(8,638)	(4,675)	—
Operating cash flows before movements in working capital	160,909	181,217	209,280	98,795	156,046
Increase in restricted cash	(1,478)	(2,203)	(1,226)	(98)	(565)
Increase in cemetery assets and inventories	(495)	(1,937)	(20,998)	(5,286)	(54,926)
Decrease (increase) in other receivables	6,371	(6,140)	15,379	(7,550)	2,808
Increase (decrease) in trade and other payables	6,556	(3,471)	9,104	20,094	(27,092)
Increase in deferred income	13,097	14,007	11,031	6,559	9,365
Cash generated from operations	184,960	181,473	222,570	112,514	85,636
Income taxes paid	(12,080)	(32,470)	(45,167)	(22,627)	(26,822)
NET CASH GENERATED FROM OPERATING ACTIVITIES	172,880	149,003	177,403	89,887	58,814
INVESTING ACTIVITIES					
Additions to and deposits paid for property and equipment	(34,655)	(7,965)	(23,491)	(14,156)	(24,753)
Repayment from related parties	82,329	889	61,628	48	—
Payment to related parties	(27,488)	(30,300)	(43,397)	(39,639)	(240)
Purchase of intangible assets	(117)	(187)	(177)	(34)	(1,364)
Proceeds on disposal of property and equipment	43	488	1,930	124	4,281
Proceeds from disposal of held for trading investments	782	526	—	—	—
Advance to independent third parties	(14,837)	—	(3,894)	—	(35,727)
Repayment from independent third parties	15,100	—	—	—	6,590
Acquisition of subsidiaries (note 33)	—	2,586	(20,111)	(64,037)	38,788
Dividends received from associates	—	5,474	6,218	—	—
Repayment from non-controlling interests	—	—	—	—	3,418
Interest received	1,930	3,781	7,731	5,474	3,025
Investment in associates	—	—	—	—	(100)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	23,087	(24,708)	(13,563)	(112,220)	(6,082)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
FINANCING ACTIVITIES					
New bank borrowings raised	—	10,000	16,800	16,800	25,000
Repayment of bank borrowings	(10,000)	—	(6,027)	(127)	(18,000)
New other borrowings raised	14,000	—	—	—	—
Repayment of other borrowings	—	—	(10,000)	—	(3,500)
Advance from related parties	14,156	36,179	18,628	16,631	30,429
Repayment to related parties	(3,979)	(7,258)	(7,337)	(2,334)	(37,690)
Loans from non-controlling interests	(1,415)	(148)	—	—	3,638
Repayments to non-controlling interests	—	—	(8,683)	—	(900)
Acquisition of additional interest in existing subsidiaries	—	—	(4,495)	—	(24,189)
Interest paid	(5,033)	(6,770)	(11,264)	(6,760)	(6,624)
Capital contribution from a non-controlling interest	—	—	500	—	—
Dividends paid to non-controlling interests	(4,000)	(8,000)	(9,200)	(9,200)	—
Dividends paid to owners of the Company	(141,800)	(87,568)	(77,800)	—	—
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	(138,071)	(63,565)	(98,878)	15,010	(31,836)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,896	60,730	64,962	(7,323)	20,896
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	103,272	161,168	221,898	221,898	286,860
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	161,168	221,898	286,860	214,575	307,756

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated on January 5, 2012 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"). The respective addresses of the registered office and the principal place of business of the Company are stated in the "Corporate Information" section of the Prospectus. The Group's major operating subsidiaries are mainly engaged in the sale of burial plots, provision of funeral services and provision of cemetery maintenance services (the "Core Business").

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

Historically, the Core Business was owned by two founding shareholders of the Group, namely China Zhongfu Industrial Co., Ltd. (中國中福實業有限公司, "Zhongfu") and Anhui Anhe Investment Consultancy Co., Ltd. (安徽安合投資諮詢有限公司, "Anhe"). The founding shareholders, through direct investment and several nominee arrangements, agreed to follow a 50-50 shareholding structure in relation to all businesses undertaken by the Group. This shareholding structure continued until 2006 when each of the founding shareholder transferred a 15% interest of the Group to nine senior managers of the Group (the "Initial Group Individual Shareholders") and acted as nominees for the Initial Individual Group Shareholders. In August 2009, Zhongfu transferred 2.8% of its interest in the Group's major operating subsidiaries to a senior manager of the Group through Faithful Hope Limited ("Faithful Hope") and acted as a nominee for Faithful Hope. Faithful Hope is beneficially held as to 30% by a senior manager of the Group and as to 70% by his relative. In November 2009, three of the Initial Group Individual Shareholders transferred their interest to fourteen individuals (hereinafter collectively referred to as the "Group Individual Shareholders") who also entered into nominee arrangements with Zhongfu and Anhe. Since then the Group had been beneficially owned by Zhongfu, Faithful Hope, Anhe and the Group Individual Shareholders as to 32.2%, 2.8%, 35% and 30%, respectively (hereinafter collectively referred to as the "Shareholders").

In preparation for the Listing, as explained in the section "History and Reorganization" of the Prospectus, the Group underwent the Reorganization which involves (i) formation of the Company and the intermediate holding companies; (ii) the insertion of the Company and the intermediate holding companies between the Core Business and the Shareholders; and (iii) the transfer of the legal ownership in the Group's subsidiaries previously held through nominees to the Group's entities.

Upon the completion of the Reorganization on February 14, 2013, the Company became the holding company of its subsidiaries. The Reorganization has been arranged in a way that enables the Shareholders to maintain their respective beneficial ownership interests in the Core Business in the same manner before and after the Reorganization.

As details above, the Reorganization involves interspersing shell companies (including the Company and FSY Hong Kong) between an existing group headed by Shanghai FSY Industry Development and the Shareholders. Accordingly, the Financial Information has been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganization had been in existence throughout the Track Record Period or since their respective date of incorporation/establishment/acquisition, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2010, 2011, 2012 and June 30, 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganization had been in existence as at those dates, taking into account the respective dates of incorporation/establishment/acquisition.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing the presenting the Financial Information for the Track Record Period, the Group and the Company has consistently applied the relevant IFRSs, International Accounting Standards ("IASs"), amendments and interpretations which are effective for annual accounting period beginning on January 1, 2013 (the "new and revised IFRSs") throughout the Track Record Period.

New and revised IFRSs issued but not yet effective

At the date of this report, the Group has not early adopted the following new and revised IFRSs that have been issued but not yet effective:

IFRSs	
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[3]
IFRS 9	Financial Instruments[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014

2 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized

3 Effective for annual periods beginning on or after July 1, 2014

The Directors anticipate that the application of the above new and revised IFRSs will have no material impact on the Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, in accordance with the accounting policies set out below which are in conformity with IFRSs. These policies have been consistently applied throughout the Track Record Period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy basic of consolidation above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairment losses.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial information using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses are eliminated to the extent of the Group's interests in the relevant associate.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

The Group enters into contracts with its customers for the provision of burial services, which include the sale of burial plots and cemetery maintenance services.

Revenue from the sale of burial plots is recognized when the right to use burial plots has passed, at which time all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of the burial plots;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the burial plots sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of cemetery maintenance services is deferred and amortized on a straight-line basis over the remaining service period. The contract price for the cemetery maintenance services is based on a nominal amount, which does not represent the fair value of such services. The Group estimate the fair value of the cemetery maintenance services income to be deferred based on the expected cost of providing such cemetery maintenance services plus a reasonable margin, less total future maintenance fees to be received.

Funeral service income is recognized when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property and equipment

Property and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of items of property and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" and is amortized over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired in a business combination are recognized separately and with finite useful lives are carried at cost less any subsequent accumulated amortization and any accumulated impairment losses (see the accounting policy on impairment of investment in a subsidiary, tangible and intangible assets below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy on impairment of investment in a subsidiary, tangible and intangible assets below).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Impairment of investment in a subsidiary, tangible and intangible assets

At the end of the reporting period, the Group and the Company review the carrying amounts of its investment in a subsidiary, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Cemetery assets

Cemetery assets consist of prepaid lease payments, cost of initial land development, and cost of landscaping for the general public areas of the cemetery and are carried at the lower of costs less accumulated amortization and net realizable value prior to the commencement of development of the cemetery. Amortization for cemetery assets is provided on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in profit or loss.

Upon commencement of development of the cemetery with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of cemetery assets are transferred to inventories.

Inventories

Inventories include cemetery assets developed and ready for sale, cemetery assets under development, and tombstones and urns. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from related parties, restricted cash and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income and gains in the consolidated statements of profit or loss and other comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss is recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by group entities are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a subsidiary, amounts due to related parties and borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2010, 2011, 2012, and June 30, 2013, the carrying amounts of goodwill are approximately RMB14,769,000, RMB14,769,000, RMB18,507,000 and RMB28,102,000, respectively. Details of recoverable amount calculation are disclosed in note 24.

Estimated useful lives and impairment of property and equipment and intangible assets

The Group's management determines the estimated useful lives and the depreciation or amortization method in determining the related depreciation or amortization charges for its property and equipment and intangible assets. This estimate is based on the management's experience of the actual useful lives of property and equipment and intangible assets of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment and intangible assets may not be recoverable. Management will increase the depreciation or amortization charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property and equipment and intangible assets differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the carrying amounts of property and equipment are approximately RMB81,089,000, RMB86,086,000, RMB121,533,000 and RMB145,509,000, respectively. No impairment indicators on property and equipment were identified during the Track Record Period. Details of movement are disclosed in note 16.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the carrying amounts of intangible assets are approximately RMB12,735,000, RMB12,633,000, RMB12,541,000 and RMB13,718,000, respectively. No impairment was recorded for the intangible assets during the Track Record Period. Details of movement are disclosed in note 17.

Estimated cemetery maintenance income

The Group estimates cemetery maintenance income to be separated from the sale of burial plots each period. Deferred cemetery maintenance income is determined based on the expected cost of maintaining the cemetery for the useful life of the cemetery, which includes labor cost, general and administrative expenses, and cost of maintenance of landscaping, offset by the expected cemetery maintenance fee to be received from customers. The Group also considered factors such as increase in labor cost in future periods when estimating cemetery maintenance expense. Cemetery maintenance expense is marked up at a reasonable profit and is allocated to individual transaction to arrive at the amount of deferred cemetery maintenance income. Total deferred cemetery maintenance income is reviewed at the end of each period. If it is considered that deferred cemetery maintenance income is insufficient to cover the expected cost of maintenance, provision will be made accordingly. As at December 31, 2010, 2011, 2012 and June 30, 2013, the carrying amounts of deferred income are approximately RMB110,129,000, RMB124,833,000, RMB135,864,000 and RMB145,229,000, respectively, as disclosed in note 30.

Estimated cost of sales

The Group enters into contracts with its customers for the provision of burial services, which include the sale of burial plots and cemetery maintenance. The Group's sale of burial plots represents the rights to use those burial plots, and some of the sales contracts entered with the customers have a term that is longer than the terms of granted land use rights where the cemeteries are located. Pursuant to the relevant regulations, the Group has the right to apply for renew upon expiration of the term of the land use right. The expected cost to fulfill its obligation for the period in excess of the term of the land use rights would be a provision recognized as a part of the cost of sale of burial plots and cemetery maintenance. The Group assesses such cost on annual basis. In the opinion of the Directors, such cost was not significant during the Track Record Period and each of the end of reporting periods.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 29, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on an on-going basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	The Group				The Company	
	At December 31,			At June 30,	At December 31,	At June 30,
	2010	2011	2012	2013	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Loans and receivables (including cash and cash equivalents) . . .	227,620	286,013	343,580	384,381	11	10
Held for trading investments.	417	—	—	—	—	—
Financial liabilities						
Amortized cost.	146,376	318,802	370,715	388,636	40	11,114

b. Financial risk management objectives and policies

The Group's major financial instruments include amounts due from related parties, restricted cash, bank balances and cash, other receivables, trade and other payables, dividends payable, dividends payable to non-controlling interests, loan from non-controlling interests, amounts due to related parties and borrowings. The Company's major financial instruments are bank balances and cash and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The primary economic environment in which the Company and its principal subsidiaries operate is the PRC and their functional currency is RMB. However, certain bank balances, other receivables and amounts due from and to related parties are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
United States Dollars ("US$")	—	—	49,175	49,160
Hong Kong Dollars ("HK$")	—	35,675	80	83

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
HK$	—	35,675	49,589	7,193

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. A sensitivity rate of 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates.

A positive number below indicates an increase in post-tax profit where RMB strengthens 5% against the relevant foreign currencies, whereas a negative number indicates a decrease in post-tax profit. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

The Group

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
If RMB strengthens against US$	—	—	(1,844)	(1,844)
If RMB strengthens against HK$	—	—	1,857	267

The carrying amounts of the Company's major foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are immaterial, and no summary table and sensitivity analysis are presented.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and other borrowings (see note 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, restricted cash, borrowings and interest-bearing amount due to and from related parties and loans from non-controlling interests (see notes 27, 19, 29, 37 and 38). The Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 27). Such variable rates are mostly linked to the People's Bank of China benchmark rates.

The Group currently does not have a specific policy to manage their interest rate risk and has not entered into interest rate swaps to hedge its exposure, but will closely monitor its interest rate risk exposure in the future.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 5-basis point increase or decrease in deposit interest rates and a 50-basis point increase or decrease in lending interest rates represent management's assessment of the reasonably possible change in interest rates.

If the deposit interest rate had been 5 basis points higher/lower, the lending interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2013 would have been decreased/increased by approximately RMB89,000, RMB228,000, RMB452,000, and RMB826,000.

The Company does not have material interest-bearing balances at the end of each reporting period, such that it does not significant interest rate risk.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the statements of financial position at the end of each reporting period.

The Group's credit risk primarily relates to the Group's amounts due from related parties, other receivables, bank balances and cash and restricted cash. In addition, the credit risk in relation to the Group's bank balances and restricted cash is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Company's credit risk primarily relates to the Company's bank balances and cash. In addition, the credit risk in relation to the Company's bank balance is not significant because the counterparties are either state-owned in the PRC or banks with high credit ratings and quality.

The Group has concentration of credit risk in respect of bank balances. At December 31, 2010, 2011, 2012 and June 30, 2013, approximately 44%, 73%, 83%, and 77% of the bank balances were deposited at 3, 4, 3 and 3 banks respectively, representing deposits of each bank with a balance exceeding 10% of total bank balances and restricted cash.

The Group has concentration of credit risk in respect of amounts due from related parties. In order to minimize the credit risk on amounts due from related parties, the Group's management continuously monitors the credit quality and financial conditions of the related parties and the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group's related parties mainly represented entities controlled by the founding shareholders and members of the initial group individual shareholders. Under such circumstances, the Group's management considers that the Group's credit risk is insignificant.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and amounts due from related parties, the Group has no concentration of credit risk arise from sale of burial plots, provision of funeral services and provision of cemetery maintenance services as these sales or provision of services are typically settled on a cash basis. No trade receivable was due from customers as at December 31, 2010, 2011, 2012 and June 30, 2013.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

The Group

	Weighted average interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2010					
Trade and other payables	—	77,371	—	77,371	77,371
Dividends payable	—	2,568	—	2,568	2,568
Loan from non-controlling interests	—	—	1,048	1,048	1,048
Amounts due to related parties					
- interest-bearing	5.81	14,949	—	14,949	14,949
- non-interest-bearing	—	15,990	500	16,490	16,490
Borrowings					
- fixed rate	18.00	2,555	16,975	19,530	14,000
- variable rate	5.31	20,194	—	20,194	19,950
		133,627	18,523	152,150	146,376

	Weighted average interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2011					
Trade and other payables	—	98,857	—	98,857	98,857
Dividends payable	—	28,063	—	28,063	28,063
Loan from non-controlling interests					
- interest-bearing	6.40	—	57,107	57,107	53,672
- non-interest-bearing	—	—	900	900	900
Amounts due to related parties					
- non-interest-bearing	—	54,182	36,178	90,360	90,360
Borrowings					
- fixed rate	18.00	9,142	7,833	16,975	14,000
- variable rate	6.01	33,262	—	33,262	32,950
		223,506	102,018	325,524	318,802

	Weighted average interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2012					
Trade and other payables	—	132,542	—	132,542	132,542
Dividends payable	—	35,983	—	35,983	35,983
Loan from non-controlling interests					
- interest-bearing	9.20	—	49,128	49,128	44,989
- non-interest-bearing	—	—	900	900	900
Amounts due to related parties					
- non-interest-bearing	—	65,473	36,178	101,651	101,651
Borrowings					
- fixed rate	18.00	7,833	—	7,833	7,000
- variable rate	7.23	45,015	4,249	49,264	47,650
		286,846	90,455	377,301	370,715

	Weighted average interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2013					
Trade and other payables	—	118,827	—	118,827	118,827
Dividends payable	—	140,483	—	140,483	140,483
Dividends payable to non-controlling interests	—	10,000	—	10,000	10,000
Loan from non-controlling interests					
- interest-bearing	9.20%	—	53,101	53,101	48,627
Amounts due to related parties					
- non-interest-bearing	—	12,549	—	12,549	12,549
Borrowings					
- fixed rate	18.00%	3,600	—	3,600	3,500
- variable rate	6.41%	56,831	—	56,831	54,650
		342,290	53,101	395,391	388,636

The Company

	Weighted average interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2012					
Amount due to a related party	—	40	—	40	40

	Weighted average interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2013					
Amounts due to a subsidiary	—	11,114	—	11,114	11,114

c. Fair value

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognized in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.

The held for trading investments with carrying value of approximately RMB417,000 as at December 31, 2010 were Level 1 measurements and represented quoted price from an active market. There were no transfer between Level 1 and Level 2 in the current and prior years.

Investment income from held for trading investments amounted to approximately RMB1,084,000, RMB109,000, nil and nil for the years ended December 31, 2010, 2011 and 2012, and for the six months ended June 30, 2013, respectively.

8. SEGMENT INFORMATION

Information reported to the Group's General Manager, being the Group's chief operating decision maker reviews the segment revenues and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided.

The Group's reportable segments are as follows:

- Burial services — which include sale of burial plots and provision of cemetery maintenance services.

- Funeral services

Segment revenues and results

	Burial services				
	Sale of burial plots	Cemetery maintenance services	Sub-total	Funeral services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2010:					
Segment revenue	297,691	4,988	302,679	47,791	350,470
Segment profit	247,829	435	248,264	34,423	282,687
Other income and gains, net					3,217
Distribution and selling expenses					(57,900)
Administrative expenses					(75,124)
Finance costs					(5,870)
Share of profits of associates					6,225
Profit before taxation					153,235
For the year ended December 31, 2011:					
Segment revenue	361,034	6,521	367,555	53,865	421,420
Segment profit	305,048	527	305,575	38,217	343,792
Other income and gains, net					18,845
Distribution and selling expenses					(71,778)
Administrative expenses					(103,062)
Finance costs					(8,615)
Share of profit of associates					9,366
Profit before taxation					188,548

	Burial services				
	Sale of burial plots	Cemetery maintenance services	Sub-total	Funeral services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2012:					
Segment revenue	410,982	7,878	418,860	61,117	479,977
Segment profit	341,388	1,019	342,407	43,911	386,318
Other income and gains, net					9,789
Distribution and selling expenses					(95,214)
Administrative expenses					(104,062)
Finance costs					(10,837)
Share of profit of an associate					8,638
Profit before taxation					194,632
For the six months ended June 30, 2013:					
Segment revenue	263,755	5,798	269,553	37,103	306,656
Segment profit	219,209	1,372	220,581	25,858	246,439
Other income and gains, net					29,650
Distribution and selling expenses					(52,586)
Administrative expenses					(50,519)
Finance costs					(5,351)
Other expense					(8,298)
Profit before taxation					159,335
For the six months ended June 30, 2012 (unaudited):					
Segment revenue	195,136	4,256	199,392	33,092	232,484
Segment profit	161,456	611	162,067	23,416	185,483
Other income and gains, net					6,130
Distribution and selling expenses					(52,816)
Administrative expenses					(45,509)
Finance costs					(5,486)
Share of profit of an associate					4,675
Profit before taxation					92,477

The accounting policies of the operating segments are similar to those of the Group's accounting policies as described in note 4. Segment profit represents the profit earned by each segment without allocation of other income and gains, net, distribution and selling expenses, administrative expenses, finance costs and share of profits of associates. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. There were no inter-segment revenues during the Track Record Period. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the Group's chief operating decision maker.

Geographical information

All of the Group's revenue is generated from sale of burial plots, provision of funeral services and cemetery maintenance services in the PRC based on where goods are sold or services are rendered, and substantially all of the Group's identifiable assets and liabilities are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue during each of the Track Record Period.

The Group's revenue was derived from various products and services provided by the Group during the Track Record Period. The details are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*	RMB'000
Burial Services					
Sale of burial plots					
Customized burial (note (a))	88,225	129,202	141,315	64,062	77,953
Artistic burial (note (b))	90,292	95,675	110,031	59,645	86,541
Traditional burial	50,778	61,044	85,943	33,175	48,405
Lawn burial (note (c))	32,448	36,243	35,726	20,461	20,739
Green burial (note (d))	3,526	2,758	3,124	1,640	3,152
Indoor burial	3,859	4,511	4,758	2,472	5,213
Other burial-related services (note (e))	28,563	31,601	30,085	13,681	21,752
Cemetery maintenance services	4,988	6,521	7,878	4,256	5,798
	302,679	367,555	418,860	199,392	269,553
Funeral services	47,791	53,865	61,117	33,092	37,103
	350,470	421,420	479,977	232,484	306,656

Notes:

(a) Customized burial refers to burial plots that the customers are able to fully personalize and customize, among others, the location, size and design and layouts of the burial plots, and the types and styles of memorials and decorative items to be used.

(b) Artistic burial, which allows the customers to choose from an extensive range of pre-designed and pre-fabricated memorials to be used on burial plots that are uniformed in size and landscape.

(c) Lawn burial refers to burial plots situated on the well-kept lawns with flower beds and/or gravemarkers at the head. The customers are able to choose the location of the lawn burial plots and may add photographs and/or inscriptions onto the gravemarkers.

(d) Green burial refers to environmental friendly and space saving burial plots, under natural gravemarkers such as fieldstones, trees and flower beds, or interred into low rising wall in respective cemeteries.

(e) Other burial-related services represent revenues from miscellaneous services such as the organization and conducting of burial rituals, the design and landscaping of the burial sites, the trading of flower and additional engraving fees.

Revenue derived from sales of burial plots is measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. In Henan FYS Industrial and Jinzhou Maoshan Anling, revenue derived from sales of the burial plots is subject to a business tax of 5%. In other places where the Group operates, revenue derived from sales of the burial plots is still exempt from business tax.

9. OTHER INCOME AND GAINS, NET

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(Unaudited)*	**RMB'000**
Other income:					
Interest income on bank deposits	865	1,639	2,667	1,165	2,114
Interest income on borrowings to related parties (note 37 (c))	564	300	2,275	1,138	238
Interest income on borrowings to independent third parties (note 26) .	1,338	3,539	2,362	1,267	816
Government grant (note (a))	—	—	3,281	2,835	5,356
Investment income from held for trading investments	1,084	109	—	—	—
	3,851	5,587	10,585	6,405	8,524
Net gains and losses:					
Net gain (loss) on disposal of property and equipment	3	89	65	(2)	701
Donation	(649)	(821)	(811)	(254)	(220)
Gain on deemed disposal of associates (note 33(a) and (d))	—	13,872	—	—	16,428
Compensation (note (b))	—	—	—	—	3,952
Others	12	118	(50)	(19)	265
	(634)	13,258	(796)	(275)	21,126
Other income and gains, net	3,217	18,845	9,789	6,130	29,650

Notes:

(a) The government grant represented the amount received from the local government by certain operating subsidiaries of the Group to encourage the economic contribution to the society without any specific conditions.

(b) Compensation represented the amount received in relation to dispute settlement from China Healthcare Holdings Limited as set out in the paragraph headed Dispute Settlement with China Healthcare in the section "Business" of the Prospectus.

10. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (*Unaudited*)	RMB'000
Interest expense on borrowings wholly repayable within five years	1,234	2,498	3,882	1,596	2,595
Interest expense on borrowings from related parties wholly repayable within five years (note 37 (c))	5,589	—	—	—	—
Interest expense on loans from non-controlling interests wholly repayable within five years (note 38)	—	3,583	4,848	2,443	2,213
Interest expense on borrowings from independent third parties wholly repayable within five years (note 29)	836	2,534	2,107	1,447	543
Less: Capitalized interest	(1,789)	—	—	—	—
Total borrowing costs	5,870	8,615	10,837	5,486	5,351

Borrowing costs capitalized during the year ended December 31, 2010 arose on the general borrowing pool and are calculated by applying a capitalization rate of 5.31% per annum to expenditure on qualifying assets.

11. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs, including Directors' remuneration (note 12):					
Salaries, wages and other benefits	67,501	79,361	89,861	46,061	45,504
Retirement benefits scheme contributions	3,394	4,280	6,751	3,038	3,558
Total staff costs	70,895	83,641	96,612	49,099	49,062
Auditors' remuneration	312	334	460	200	196
Depreciation of property and equipment	7,887	7,055	11,502	5,476	7,104
Cost of inventories recognized as an expense	33,716	39,269	53,458	27,914	34,093
Amortization of intangible assets (included in administrative expenses)	282	289	340	168	187
Amortization of cemetery assets (included in cost of sales and services)	3,714	5,624	7,976	3,431	4,366
Initial public offering expenses (included in other expenses)	—	—	—	—	8,298
Operating lease rentals	5,472	4,310	5,473	2,830	2,896

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the Directors and the chief executive of the Company for the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Directors' fees	480	600	600	300	300
Other emoluments					
Salaries and other benefits	—	—	—	—	—
Contributions to retirement benefits scheme	62	78	78	39	48
	542	678	678	339	348

The emoluments of the Directors and the chief executive on a named basis are as follows:

For the year ended December 31, 2010

	Directors' fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Bai Xiaojiang	—	—	—	—
Tan Leon Li-an	—	—	—	—
Wang Jisheng	480	—	62	542
Non-Executive Directors				
Tan Richard Lipin	—	—	—	—
Lin Hung Ming	—	—	—	—
Lu Hesheng	—	—	—	—
	480	—	62	542

For the year ended December 31, 2011

	Directors' fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Bai Xiaojiang	—	—	—	—
Tan Leon Li-an	—	—	—	—
Wang Jisheng	600	—	78	678
Non-Executive Directors				
Tan Richard Lipin	—	—	—	—
Lin Hung Ming	—	—	—	—
Lu Hesheng	—	—	—	—
	600	—	78	678

For the year ended December 31, 2012

	Directors' fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Bai Xiaojiang	—	—	—	—
Tan Leon Li-an	—	—	—	—
Wang Jisheng	600	—	78	678
Non-Executive Directors				
Tan Richard Lipin	—	—	—	—
Lin Hung Ming	—	—	—	—
Lu Hesheng	—	—	—	—
	600	—	78	678

For the six months ended June 30, 2012 (unaudited)

	Directors' fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Bai Xiaojiang	—	—	—	—
Tan Leon Li-an	—	—	—	—
Wang Jisheng	300	—	39	339
Non-executive Directors				
Tan Richard Lipin	—	—	—	—
Lin Hung Ming	—	—	—	—
Lu Hesheng	—	—	—	—
	300	—	39	339

For the six months ended June 30, 2013

	Directors' fees	Salaries and other benefits	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Bai Xiaojiang	—	—	—	—
Tan Leon Li-an	—	—	—	—
Wang Jisheng	300	—	48	348
Non-executive Directors				
Tan Richard Lipin	—	—	—	—
Lin Hung Ming	—	—	—	—
Lu Hesheng	—	—	—	—
	300	—	48	348

The five highest paid individuals of the Group for the Track Record Period included one director for the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2012 (unaudited) and 2013, respectively. The remunerations of the remaining four individuals for the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2012 (unaudited) and 2013 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employees					
Salaries and other benefits	936	1,320	1,320	660	720
Contributions to retirement benefits scheme	124	168	168	84	111
	1,060	1,488	1,488	744	831

The emoluments of each of the highest paid individual in the Group for the years ended December 31, 2010, 2011, 2012, and for the six months ended June 30, 2012 (unaudited) and 2013 were below HK$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the Directors waived any emoluments and no independent non-executive directors have been appointed during the Track Record Period.

13. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*	RMB'000
PRC Enterprise Income Tax ("PRC EIT")	46,934	53,017	59,242	28,599	40,191
Deferred tax (note 23)	(7,367)	(6,044)	(2,811)	(4,849)	1,007
	39,567	46,973	56,431	23,750	41,198

The tax charge for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*	RMB'000
Profit before taxation	153,235	188,548	194,632	92,477	159,335
Tax at the PRC EIT rate of 25%	38,309	47,137	48,658	23,119	39,834
Tax effect of expenses not deductible for tax purpose (note)	4,168	6,596	6,714	2,624	3,403
Tax effect of income not taxable for tax purpose	(435)	(4,008)	(2,026)	(671)	(4,180)
Tax effect of different tax rates	(1,038)	(703)	(728)	(468)	(582)
Tax effect of share of results of associates	(1,556)	(2,342)	(2,160)	(1,169)	—
Tax effect of tax losses not recognized	119	293	743	315	—
Utilization of tax losses previously not recognized	—	—	—	—	(27)
Withholding tax on undistributed profits of PRC subsidiaries (note 23)	—	—	5,230	—	2,750
Income tax expense for the year	39,567	46,973	56,431	23,750	41,198

Note: Expenses not deductible for tax purpose primarily include expenses with employees' welfare and entertainment expenses exceeding the tax deduction limits under the Law of the PRC on Enterprise Income Tax (the "EIT Law").

Under the EIT Law and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), Chongqing Anle Funeral Services, a 100% owned subsidiary of the Group, which is located in specific provinces of Western China and engaged in specific encouraged industries, enjoys a preferential tax rate of 15% under EIT Law.

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain.

FSY Hong Kong is subject to Hong Kong profit tax at a rate of 16.5%. No Hong Kong profit tax has been provided as the Group did not have assessable profit earned in or derived from Hong Kong during the Track Record Period.

14. DIVIDENDS

No dividend has been declared or paid by the Company since its date of incorporation. During the Track Record Period, the PRC entities of the Group declared and recognized distributions to its then owners as dividends of approximately RMB4,000,000, RMB113,063,000, RMB85,720,000, nil and RMB104,500,000 for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 (unaudited) and 2013 respectively.

The rate of dividend and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share are based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings:					
Earnings for the purpose of calculating basic earnings per share	104,253	130,692	124,270	63,654	99,595
Number of Shares:					
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,499,970,761	1,499,970,761	1,499,970,761	1,499,970,761	1,499,970,761

The calculation of the basic earnings per share for the Track Record Period is based on the profit for the year/period attributable to owners of the Company and weighted average number of shares of 1,499,970,761 for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and 2013 respectively. The weighted average number of shares for the purpose of basic earnings per share for Track Record Period is calculated based on the 1,500,000,000 ordinary shares of the Company after retrospective adjustment and assuming the capitalization issue (see section C(ii)) had been effective on January 1, 2010. No dilute earnings per share is presented for the Track Record Period as there was no potential dilutive ordinary share in issue.

16. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2010	38,067	1,856	13,378	14,777	17,353	85,431
Additions	—	2,006	777	2,050	29,822	34,655
Transfer	46,481	—	—	—	(46,481)	—
Disposals	—	—	(241)	(276)	—	(517)
At December 31, 2010	84,548	3,862	13,914	16,551	694	119,569
Additions	152	6	1,576	3,570	2,661	7,965
Acquired on acquisition of a subsidiary (note 33(a))	3,287	—	606	593	—	4,486
Transfer	—	—	209	—	(209)	—
Disposals	—	—	(1,947)	(1,999)	—	(3,946)
At December 31, 2011	87,987	3,868	14,358	18,715	3,146	128,074
Additions	—	409	2,932	6,418	13,732	23,491
Acquired on acquisition of subsidiaries (note 33(b), (c))	18,150	—	2,331	3,417	1,425	25,323
Transfer	2,343	—	260	—	(2,603)	—
Disposals	(14)	—	(263)	(3,447)	—	(3,724)
At December 31, 2012	108,466	4,277	19,618	25,103	15,700	173,164
Additions	1,064	480	2,903	2,411	17,895	24,753
Acquired on acquisition of a subsidiary (note 33(d))	8,430	—	595	882	—	9,907
Transfer	8,041	—	285	—	(8,326)	—
Disposals	(3,421)	—	(137)	(2,745)	—	(6,303)
At June 30, 2013	122,580	4,757	23,264	25,651	25,269	201,521

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION						
At January 1, 2010	11,977	359	9,482	9,252	—	31,070
Provided for the year	3,174	777	1,797	2,139	—	7,887
Eliminated on disposals	—	—	(232)	(245)	—	(477)
At December 31, 2010	15,151	1,136	11,047	11,146	—	38,480
Provided for the year	2,895	697	1,332	2,131	—	7,055
Eliminated on disposals	—	—	(1,848)	(1,699)	—	(3,547)
At December 31, 2011	18,046	1,833	10,531	11,578	—	41,988
Provided for the year	5,474	739	1,892	3,397	—	11,502
Eliminated on disposals	(14)	—	(150)	(1,695)	—	(1,859)
At December 31, 2012	23,506	2,572	12,273	13,280	—	51,631
Provided for the period	3,292	390	1,449	1,973	—	7,104
Eliminated on disposals	(432)	—	(52)	(2,239)	—	(2,723)
At June 30, 2013	26,366	2,962	13,670	13,014	—	56,012
CARRYING VALUES						
At December 31, 2010	69,397	2,726	2,867	5,405	694	81,089
At December 31, 2011	69,941	2,035	3,827	7,137	3,146	86,086
At December 31, 2012	84,960	1,705	7,345	11,823	15,700	121,533
At June 30, 2013	96,214	1,795	9,594	12,637	25,269	145,509

The above items of property and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land and useful life of buildings of 30 years
Leasehold improvements	20%
Furniture, fixtures and equipment	9.50% - 31.67%
Motor vehicles	11.88% - 19.00%

As at December 31, 2010, 2011, 2012 and June 30, 2013, the Group pledged buildings with carrying values of approximately RMB9,805,000, RMB8,023,000, RMB13,124,000 and RMB10,946,000, respectively, to secure bank loans granted to the Group.

The buildings are situated on lands in the PRC which are held by the Group under medium-term leases.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the formal title certificates for certain buildings of the Group with carrying value of approximately nil, RMB2,708,000, RMB9,980,000 and RMB10,851,000 had not been obtained.

17. INTANGIBLE ASSETS

	Computer software	Favorable lease payment	License for provision of funeral services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2010	540	2,076	11,808	14,424
Additions	117	—	—	117
At December 31, 2010	657	2,076	11,808	14,541
Additions	187	—	—	187
At December 31, 2011	844	2,076	11,808	14,728
Additions	177	—	—	177
Acquired on acquisition of a subsidiary (note 33(b))	71	—	—	71
At December 31, 2012	1,092	2,076	11,808	14,976
Additions	1,364	—	—	1,364
At June 30, 2013	2,456	2,076	11,808	16,340
AMORTISATION				
At January 1, 2010	201	1,323	—	1,524
Provided for the year	111	171	—	282
At December 31, 2010	312	1,494	—	1,806
Provided for the year	118	171	—	289
At December 31, 2011	430	1,665	—	2,095
Provided for the year	169	171	—	340
At December 31, 2012	599	1,836	—	2,435
Provided for the period	101	86	—	187
At June 30, 2013	700	1,922	—	2,622
CARRYING VALUES				
At December 31, 2010	345	582	11,808	12,735
At December 31, 2011	414	411	11,808	12,633
At December 31, 2012	493	240	11,808	12,541
At June 30, 2013	1,756	154	11,808	13,718

Favorable lease payment resulted from a non-cancellable operating lease in respect of the Group's outlet located in the PRC acquired from a business acquisition of Chongqing Anle Services in March 2002 and are carried at cost less accumulated amortization and any accumulated impairment losses. The favorable lease payment is amortized on a straight-line basis within the remaining terms of the relevant lease at the date of acquisition, which is 12 years.

The license for provision of funeral services was issued by the relevant authorities in Chongqing and is renewable every year at minimal costs. The management is of the opinion that the Group would renew the license continuously and has the ability to do so. As such, the management considers such license plate carries an indefinite useful life and is carried at cost less any subsequent impairment losses, if any.

The license will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. During the Track Record Period, the management of the Group determined that there was no impairment of license.

For the purposes of impairment testing, the recoverable amount of the license is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 16.8%. Cash flow beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

Computer software has finite useful life and are amortized on a straight-line basis over its estimated useful life of 5 years.

18. CEMETERY ASSETS

	Prepaid lease payments	Landscape facilities	Development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2010	119,164	24,410	44,585	188,159
Transfer to inventories	(2,046)	(516)	(743)	(3,305)
At December 31, 2010	117,118	23,894	43,842	184,854
Additions	—	—	1,900	1,900
Acquired on acquisition of a subsidiary (note 33(a))	99,989	—	29,550	129,539
Transfer to inventories	(2,011)	(13)	(491)	(2,515)
At December 31, 2011	215,096	23,881	74,801	313,778
Additions	3,300	12,687	9,920	25,907
Acquired on acquisition of a subsidiary (note 33(b), (c))	38,705	10,891	3,276	52,872

	Prepaid lease payments	Landscape facilities	Development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Transfer to inventories	(4,487)	(7)	(416)	(4,910)
At December 31, 2012	252,614	47,452	87,581	387,647
Additions	41,868	836	9,465	52,169
Acquired on acquisition of a subsidiary (note 33(d))	49,393	5,347	15,862	70,602
Transfer to inventories	(4,427)	(5,024)	(4,745)	(14,196)
At June 30, 2013	339,448	48,611	108,163	496,222
AMORTIZATION				
At January 1, 2010	15,684	10,699	6,815	33,198
Provided for the year	2,172	864	678	3,714
Eliminated on transfer	(224)	(248)	(95)	(567)
At December 31, 2010	17,632	11,315	7,398	36,345
Provided for the year	3,557	846	1,221	5,624
Eliminated on transfer	(60)	(1)	(19)	(80)
At December 31, 2011	21,129	12,160	8,600	41,889
Provided for the year	4,512	1,857	1,607	7,976
Eliminated on transfer	(60)	(1)	(22)	(83)
At December 31, 2012	25,581	14,016	10,185	49,782
Provided for the period	2,093	1,194	1,079	4,366
Eliminated on transfer	(481)	(1,560)	(249)	(2,290)
At June 30, 2013	27,193	13,650	11,015	51,858
CARRYING VALUES				
At December 31, 2010	99,486	12,579	36,444	148,509
At December 31, 2011	193,967	11,721	66,201	271,889
At December 31, 2012	227,033	33,436	77,396	337,865
At June 30, 2013	312,255	34,961	97,148	444,364

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
The Group's prepaid lease payment comprises:				
Land use rights in the PRC for which development had not yet commenced:				
Medium-term lease	99,486	98,726	118,280	203,323
Long-term lease	—	95,241	108,753	108,932
	99,486	193,967	227,033	312,255

The prepaid lease payments have definite useful lives and amortized on a straight-line basis over the lease terms. As at December 31, 2010, 2011, 2012 and June 30, 2013, the prepaid lease payments include deposits for acquisition of land amounting to nil, nil, nil, and RMB53,258,000 respectively, and the carrying value of lease payments to individuals amounting to approximately nil, RMB1,983,000, RMB23,889,000 and RMB25,155,000 respectively.

Landscape facilities represent the construction cost of arbors and bridges in the mausoleum. Amortization for landscape facilities is provided on a straight-line basis over shorter of the remaining lease term of land or useful life, which is 20 years.

Development cost represents the cost paid for the foundation work and putting the land into the condition of ready for development of cemetery business. Amortization for development is provided on a straight-line basis over the estimated useful life (same as prepaid lease payments over the lease terms).

Upon commencement of development of an area within the cemetery, the proportionate cemetery assets are transferred to inventory.

19. RESTRICTED CASH

In accordance with the relevant requirement of the Shanghai government, the Group has to deposit 10% of the cemetery maintenance fee received in Shanghai to a designed joint named bank account with the Qingpu Funeral Association (青浦殯葬所) which carries variable-rate interest by reference to the People's Bank of China benchmark rate. This bank balance can be drawn annually with a cap based on the 20% of the cemetery maintenance costs incurred in the preceding year that are endorsed by the Qingpu Funeral Association, which will be used for general maintenance of the cemetery.

20. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE TO A SUBSIDIARY

	The Company	
	At December 31, 2012	At June 30, 2013
	RMB	RMB
Investment in a subsidiary		
Unlisted investment, at cost	—	2
	RMB'000	RMB'000
Shown on the statement of financial position	—	—

	The Company	
	At December 31, 2012	At June 30, 2013
	RMB'000	RMB'000
Amount due to a subsidiary		
Amount due to a subsidiary included in current liabilities	—	11,114

The amount is unsecured, interest-free and repayable on demand.

21. INTERESTS IN ASSOCIATES

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investments in associates	24,000	20,000	20,000	100
Share of post-acquisition profits, net of dividend received	18,645	22,700	25,120	—
	42,645	42,700	45,120	100

As at December 31, 2010, 2011, 2012 and June 30, 2013, the Group had interests in the following associates:

Name of entity	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of register capital held by the Group				Proportion of voting power held				Principal activity
					2010	2011	2012	June 30, 2013	2010	2011	2012	June 30, 2013	
					%	%	%	%	%	%	%	%	
Shanghai Nanyuan (note (a))	Domestic limited liability enterprise	PRC	PRC	Registered capital	40	40	40	N/A	40	40	40	N/A	Provision of burial services
Shandong FSY Development (note (b))	Domestic limited liability enterprise	PRC	PRC	Registered capital	40	N/A	N/A	N/A	40	N/A	N/A	N/A	Provision of burial services
Shanghai Fu Shou Yuan Landscape Design Co., Ltd.* 上海福壽園景觀規劃設計有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	N/A	N/A	N/A	10	N/A	N/A	N/A	10	Provision of consulting services relating to burial

Note:

* The English names of the entity established in the PRC is translated for identification purpose only.

(a) Shanghai Nanyuan has become a subsidiary after the Group obtained its controlling interests on January 4, 2013. Details are set out in note 33(d).

(b) Shandong FSY Development has become a subsidiary after the Group obtained its controlling interests on March 1, 2011. Details are set out in note 33(a).

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Shandong FSY Development

	At December 31, 2010
	RMB'000
Current assets	24,951
Non-current assets	95,782
Current liabilities	(58,976)
Non-current liabilities	(51,873)
Net assets	9,884
Group's share of net assets of associates	3,954

	Year ended December 31, 2010
	RMB'000
Revenue for the year	26,643
Profit and total comprehensive income for the year	982
Group's share of profits and total comprehensive income of associates for the year	393

Shanghai Nanyuan

	At December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current assets	43,087	62,644	70,854
Non-current assets	80,736	78,625	70,152
Current liabilities	(24,944)	(32,360)	(26,255)
Non-current liabilities	(2,150)	(2,158)	(1,950)
Net assets	96,729	106,751	112,801
Group's share of net assets of associates	38,691	42,700	45,120

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Revenue for the year	46,434	59,360	60,802
Profit and total comprehensive income for the year	14,580	23,415	21,595
Group's share of profits and total comprehensive income of associates for the year	5,832	9,366	8,638

22. HELD FOR TRADING INVESTMENTS

Held for trading investments comprise:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity securities	417	—	—	—

The above equity investments represent investments in equity securities issued by listed entities established in the PRC.

23. DEFERRED TAXATION

The following are the major deferred tax assets (liability) recognized by the Group and movements thereon during the Track Record Period:

	Deferred income	Tax losses	Payroll and welfare payable	Fair value adjustment	Undistributed profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000 Note	RMB'000	RMB'000
At January 1, 2010	3,742	1,665	9,132	(15,591)	—	(1,052)
Credit (charge) to profit or loss	11,134	(1,665)	(2,618)	516	—	7,367
At December 31, 2010	14,876	—	6,514	(15,075)	—	6,315
Acquisition of subsidiaries (note 33(a))	—	—	—	(9,494)	—	(9,494)
Credit to profit or loss	18	—	5,120	906	—	6,044
At December 31, 2011	14,894	—	11,634	(23,663)	—	2,865
Acquisition of subsidiaries (note 33(b))	—	—	—	(4,200)	—	(4,200)
Credit (charge) to profit or loss	2,308	78	3,996	1,659	(5,230)	2,811
At December 31, 2012	17,202	78	15,630	(26,204)	(5,230)	1,476
Acquisition of subsidiaries (note 33(d))	—	—	—	(5,496)	—	(5,496)
Credit (charge) to profit or loss	1,199	754	(1,040)	830	(2,750)	(1,007)
Transfer	—	—	—	—	5,230	5,230
At June 30, 2013	18,401	832	14,590	(30,870)	(2,750)	203

Note: Fair value adjustment mainly refers to revaluation of property and equipment, and cemetery assets upon the business combination arose from acquisition of subsidiaries as per note 33.

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same legal entity and fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	21,390	26,528	32,910	33,823
Deferred tax liabilities	(15,075)	(23,663)	(31,434)	(33,620)
	6,315	2,865	1,476	203

The deferred tax balances have reflected the tax rates that are expected to apply in the respective periods when the asset is realized or the liability is settled.

The Group has unused tax losses of approximately RMB898,000, RMB2,072,000, RMB5,354,000 and RMB8,264,000 as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. Deferred tax assets have been recognized in respect of approximately Nil, Nil, RMB311,000 and RMB3,329,000 of such losses as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. No deferred tax assets have been recognized in respect of the remaining approximately RMB898,000, RMB2,072,000, RMB5,043,000 and RMB4,935,000 as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively due to the unpredictability of future profit streams. Pursuant to the rules and regulations in the PRC, the unrecognized tax losses at the end of each reporting period will expire in five years.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. Under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, or China-HK Tax Arrangement, a qualified Hong Kong tax resident which is the ''beneficial owner'' and holds 25% or more of the equity interest in a PRC-resident enterprise is entitled to a reduced withholding rate of 5%. On February 22, 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at December 31, 2007 are exempted from the withholding tax.

Upon FSY Hong Kong became the immediate holding company of the Group's PRC entities on October 10, 2011 (the "Completion date"), the Group is subject to the PRC dividend withholding tax if undistributed earnings of its PRC entities are declared to be paid out of the profits that arose on or after the Completion date through FSY Hong Kong.

However, as shown in noted 14, the dividends recognized as distributions for the year ended December 31, 2010, December 31, 2011 and December 31, 2012 of RMB4,000,000, RMB113,063,000 and RMB85,720,000, respectively were all paid out by the Group's PRC entities directly to their then intermediate owners established in the PRC not forming part of the Group (the "PRC Entities Then Owners"). The Group is therefore not subject to PRC withholding tax on such dividends distributed by its PRC entities to the PRC Entities Then Owners directly as dividends paid to PRC tax residents are not subject to withholding tax.

As of December 31, 2011, the Directors have determined that the undistributed earnings of the Group amounting to approximately RMB163,885,000 will be set aside for expansion of operations, and therefore the Group has not provided for the deferred tax liabilities in respect of withholding tax on the undistributed earnings of the PRC entities as the Group is able to control the timing of reversal of such temporary difference and it is probable that such temporary difference would not be reversed in the foreseeable future.

As of December 31, 2012, the Directors have determined that the Group shall distribute earnings arising during the year ended December 31, 2012 in an amount of RMB104,500,000 which shall be paid to the shareholders of the Company during the fiscal year ending December 31, 2013. Such dividend has further been recognized in the six-month period ended June 30, 2013. Accordingly, the RMB104,500,000 distribution shall be subject to the PRC dividend withholding tax and an amount of RMB5,230,000 is recognized as deferred tax liabilities of the Group for the year ended December 31, 2012.

As of June 30, 2013, the Directors have determined that the Group shall distribute earnings arising the six months ended June 30, 2013 in an amount of RMB55,000,000 which shall be paid to the shareholders of the Company during the fiscal year ending December 31, 2013. Accordingly, the RMB55,000,000 distribution shall be subject to the PRC dividend withholding tax and an amount of RMB2,750,000 is recognized as deferred tax liabilities of the Group for the six months June 30, 2013.

The Directors further represent that (i) the remaining undistributed earnings as of December 31, 2012 after the proposed distribution above amounting to approximately RMB82,928,000; and (ii) the undistributed earnings as of June 30, 2013 after the proposed distribution above amounting to approximately RMB127,523,000 will be set aside for expansion of operations, and therefore the Group has not provided for the deferred tax liabilities in respect of withholding tax on the remaining undistributed earnings of the PRC entities as the Group is able to control the timing of reversal of such temporary difference and it is probable that such temporary difference would not be reversed foreseeable future.

24. GOODWILL/IMPAIRMENT TESTING ON GOODWILL

The movement of goodwill as at 31 December 2010, 2011, 2012 and June 30, 2013 are as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January, as stated	14,769	14,769	14,769	18,507
Arising on acquisition of subsidiaries	—	—	3,738	9,595
	14,769	14,769	18,507	28,102

The carrying amounts of goodwill as at 31 December 2010, 2011, 2012 and June 30, 2013 are as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Henan FSY Industrial	14,769	14,769	14,769	14,769
Jinzhou Maoshan Anling (note 33(b))	—	—	3,738	3,738
Shanghai Nanyuan (note 33(d))	—	—	—	9,595
At the end of the reporting period	14,769	14,769	18,507	28,102

For the purposes of impairment testing, goodwill have been allocated to three individual cash generating units (CGUs), comprising three subsidiaries in the burial serveries segment. During the Track Record Period, management of the Group determines that there are no impairments of any of its CGU containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

(a) Henan FSY Industrial

The recoverable amount of this CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 16.8% (2011: 17.5%, 2010: 17.7%). Cash flow beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

(b) Jinzhou Maoshan Anling

The recoverable amount of this CGU is determined based on the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 17.5%. Cash flow beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

(c) Shanghai Nanyuan

The recoverable amount of this CGU is determined based on the value-in-used calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 17%. Cash flow beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

25. INVENTORIES

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Burial Plots	51,093	65,481	75,218	126,768
Tombstone	19,154	30,264	33,719	35,218
Others	1,555	2,361	2,227	5,369
	71,802	98,106	111,164	167,355

26. OTHER RECEIVABLES

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments and deposits to suppliers	11	63	7,322	2,706
Prepayments and rental deposits on properties	618	1,841	1,882	2,392
Staff advances	392	348	1,735	1,875
Loans to independent third parties (note (a))	14,837	16,534	12,640	6,050
Loan to an independent third party (note (b))	—	—	—	35,727
Amounts due from non-controlling interests (note (c))	—	—	11,388	3,475
Others (note (d))	818	4,872	2,798	8,512
	16,676	23,658	37,765	60,737

Notes:

(a) The balances carried fixed interest rate at 18% per annum as at December 31, 2010, 2011 and 2012, respectively, which are unsecured and repayable on demand. The balances have been fully settled as of the date of this report.

(b) The balance is non-interest bearing, repayable by January 2014 and guaranteed by a related party. This balance has been fully settled as of the date of this report.

(c) The balances are non-interest bearing and have been fully settled as of the date of this report.

(d) Included in the balance represented amounts receivable from senior management as at June 30, 2013 of approximately RMB3,490,000 in relation to individual income tax paid on behalf by the Group. The balances have been fully settled as set in note 37(b) as of the date of this report. Out of RMB3,490,000, receivables from directors disclosed pursuant to section 161B of the Companies Ordinance are as follows:

	Balance at June 30, 2013	Maximum amount outstanding during the period
	RMB'000	RMB'000
Director		
Bai Xiaojiang	1,410	1,410
Wang Jisheng	230	230
	1,640	1,640

27. BANK BALANCES AND CASH

Bank balances and cash of the Group and the Company denominated in RMB, HK$ and US$ carry variable-rate interest as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
Interest rate per annum				
The Group				
- RMB	0.36%	0.36%-0.50%	0.35%-0.50%	0.01%-0.50%
- HK$	—	—	0.01%	0.01%
- US$	—	—	0.10%	0.10%

The Group's bank balances and cash that are denominated in currencies other than RMB are set out below:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
HK$	—	35,675	36	36
US$	—	—	49,175	49,160
	—	35,675	49,211	49,196

The Company's bank balances and cash that are denominated in currencies other than RMB are set out below:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
HK$	—	—	11	10

28. TRADE AND OTHER PAYABLES

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	24,871	24,662	42,985	44,280
Advances and deposits from customers	22,538	18,774	22,996	21,721
Payables for acquisition of property and equipment	7,676	—	6,954	10,113
Salary, welfare and bonus payables	35,596	58,594	75,529	51,740
Accrued interest	837	2,534	2,107	834
Other accrued expenses	3,539	5,274	2,401	2,896
Others	4,852	7,793	2,566	8,964
	99,909	117,631	155,538	140,548

Advances and deposits from customers are in most cases received from customers before delivery of cemetery and tombstone is made. All sales and services are typically settled on a cash basis. No credit period is granted to customers for sale of burial plots, provision of funeral services and cemetery maintenance.

The following is an aged analysis of trade payable presented based on the invoice date at the end of each reporting period:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
0 - 90 days	14,549	12,750	27,606	24,179
91 - 180 days	1,082	1,527	3,450	1,547
181 - 360 days	3,987	4,438	8,511	7,681
Over 361 days	5,253	5,947	3,418	10,873
	24,871	24,662	42,985	44,280

The average credit period on purchases of goods is 181 to 360 days.

29. BORROWINGS

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	19,950	32,950	47,650	54,650
Other borrowings	14,000	14,000	7,000	3,500
Total	33,950	46,950	54,650	58,150
Secured by the Group's assets	19,950	29,950	36,550	44,650
Secured by independent third party's assets	—	—	3,800	—
Total secured borrowings	19,950	29,950	40,350	44,650
Total unsecured borrowings	14,000	17,000	14,300	13,500
	33,950	46,950	54,650	58,150
Guaranteed by an independent third party	—	3,000	7,300	10,000
Guaranteed by a related party	14,000	14,000	7,000	3,500
Total guaranteed borrowings	14,000	17,000	14,300	13,500
Total unguaranteed borrowings	19,950	29,950	40,350	44,650
	33,950	46,950	54,650	58,150
Fixed-rate borrowings	14,000	17,000	12,100	3,500
Variable-rate borrowings	19,950	29,950	42,550	54,650
	33,950	46,950	54,650	58,150

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount repayable:				
Within one year	19,950	39,950	50,550	58,150
More than one year, but not exceeding two years	14,000	7,000	4,100	—
	33,950	46,950	54,650	58,150
Less: amounts due within one year shown under current liabilities	19,950	39,950	50,550	58,150
Amounts shown under non-current liabilities	14,000	7,000	4,100	—

During the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, the Group entered into various borrowing agreements with banks to finance its business operations and expansion. Such borrowings were secured against the Group's buildings as disclosed in note 16.

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Effective interest rate:				
Fixed-rate borrowings	18.00%	6.39% - 18.00%	7.80% - 18.00%	18.00%
Variable-rate borrowings	5.31%	5.81% - 6.06%	6.89% - 8.53%	6.00% - 8.00%

The Group has variable-rate bank borrowings which carry interest at the People's Bank of China benchmark rate plus a premium.

The Group obtained other borrowings from a financial institution with a fixed interest rate at 18% per annum as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. The balances have been settled as of the date of this report.

30. DEFERRED INCOME

Deferred income represents the portion of the revenue generated from the provision of burial services that has not been earned as revenue in accordance with the revenue recognition policy and the nature of the business.

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount analyzed as:				
Amounts shown under current liabilities	5,226	6,700	8,419	11,472
Amounts shown under non-current liabilities	104,903	118,133	127,445	133,757
	110,129	124,833	135,864	145,229

The Group provides on-going cemetery maintenance services as part of the burial services to maintain the landscaped cemeteries and the large number of memorials that lie on the cemeteries.

Customers who purchase burial services at certain locations are required to make advance payments for maintenance fees, relating to the maintenance of their cremation niches or burial lots and memorials over 10 to 20 years, and such amounts are generally paid together with the purchase of our burial services.

The Group keeps track of the cemetery maintenance expense for the sites and makes estimate based on the projected increases, such as increase in the labor cost and the incremental maintenance expense as a result of increase in future sales. Total estimated cemetery maintenance expense plus a reasonable margin, offset by estimated maintenance fees to be received, represent the amount of total deferred income. Total deferred income is allocated to the individual transaction to determine the amount of revenue to be deferred at each period.

During the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2012 and 2013, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB4,988,000, RMB6,521,000, RMB7,878,000, RMB4,256,000 and RMB5,798,000, respectively.

31. PAID-IN/ADDITIONAL PAID-IN/ISSUED SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganization in the consolidated statements of financial position, the balance as at December 31, 2010 represented the consolidated paid-in/additional paid-in capital of Shanghai FSY Industry Development. The share capital presented in the consolidated statements of financial position as at December 31, 2011 and 2012 represented the share capital of FSY Hong Kong. The share capital presented in the consolidated statements of financial position as at June 30, 2013 represented the share capital of the Company, which became the holding company of the Group upon the completion of the Reorganization on February 14, 2013.

	The Company	
	Number of shares	Amount
		US$
Ordinary shares of US$1.00 each		
Authorized:		
At January 5, 2012 (date of incorporation), December 31, 2012, and June 30, 2013	50,000	50,000

Issued and fully paid:

	Number of shares	Amount	Shown in the Financial Information as
		US$	RMB'000
At January 5, 2012 (date of incorporation)			
Issue of new shares pursuant to the Reorganization	1	1	—
At December 31, 2012 and June 30, 2013	1	1	—

32. RESERVES

Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their respective boards of directors annually. The appropriation, however, must be at least 10% of profit after tax and may cease when the fund balance reaches 50% of the registered capital of the PRC subsidiaries. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalization issue.

Special reserve

Special reserve for the year ended December 31, 2011 amounting to RMB5,000,000 represents the difference between the issued share capital of FSY Hong Kong and the remaining paid-in capital of Shanghai FSY Industry Development after the deemed distribution to the equity holders pursuant to Reorganization.

Special reserve for the six months ended June 30, 2013 amounting to RMB79,667,000 represents the amounts due to related parties waived and taken up by the Founding Shareholders, which was regarded as deemed contributions from the shareholders.

Other reserve

Other reserve represents the difference between the proportionate share of the carrying amount of the net assets of non-wholly-owned subsidiaries transferred from non-controlling interests and the consideration paid to acquire the respective equity interests from non-controlling interests.

On January 10, 2013, Chongqing FSY Industrial, a wholly-owned subsidiary of the Group, entered into an agreement with non-controlling interests of Jinzhou Maoshan Anling, a 84.27% owned subsidiary of the Group, to acquire 15.73% equity interest in Jinzhou Maoshan Anling for a cash consideration of approximately RMB11,000,000. An amount of approximately RMB12,795,000 (being the proportionate share of the carrying amount of the net assets of Jinzhou Maoshang Anling) has been transferred from non-controlling interests. The difference of approximately RMB1,795,000 between the reduction of the non-controlling interests and the consideration paid has been credited to other reserve.

On January 15, 2013, Shanghai FSY Industry Development, a wholly-owned subsidiary of the Group, entered into an agreement with non-controlling interests of Henan FSY Industrial, a 55% owned subsidiary of the Group, to acquire 45% equity interest in Henan FSY Industrial for a cash consideration of approximately RMB17,688,000. An amount of approximately RMB42,677,000 (being the proportionate share of the carrying amount of the net assets of Henan FSY Industrial) has been transferred from non-controlling interests. The difference of approximately RMB24,989,000 between the reduction of the non-controlling interests and the consideration paid has been credited to other reserve.

33. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of 10% equity interest in Shandong FSY Development

Shandong FSY Development was formerly a 40%-owned associate of the Group prior to the following acquisition. On March 1, 2011, Chongqing FSY Industrial, a wholly-owned subsidiary of the Group, acquired additional 10% equity interests in Shandong FSY Development, which equity interest was previously held by an individual for a cash consideration of RMB1,000,000. After the acquisition, Shandong FSY Development became an indirectly 50%-owned subsidiary of the Company because all other equity holders of Shandong FSY Development assigned irrevocable rights to Chongqing FSY Industrial to direct the relevant activities of Shandong FSY Development unilaterally. The acquisition was accounted for using the acquisition method and an amount of approximately RMB13,872,000, representing a gain on deemed disposal of an associate, was recognized as income for the year ended December 31, 2011. Shandong FSY Development is engaged in sale of burial plots and was acquired as part of the Group's expansion.

The net assets acquired in the transaction are as follows:

	RMB'000
Net assets acquired:	
Property and equipment	4,486
Cemetery assets	129,539
Inventories	23,832
Other receivables	842
Bank balances and cash	3,586
Trade and other payables	(56,648)
Loans from non-controlling interests	(53,672)
Borrowings	(3,000)
Deferred tax liabilities	(9,494)
Provision	(697)
Income tax liabilities	(1,354)
	37,420
Non-controlling interests	(18,710)
Transferred from interest previously held as an associate	(17,710)
Satisfied by:	
Cash paid in 2011	1,000
Net cash inflow arising on acquisition:	
Cash consideration paid in 2011	1,000
Less: bank balances and cash acquired	(3,586)
	(2,586)

The fair value and gross contractual amounts of other receivables at the date of acquisition approximated their carrying amounts and were expected to be fully recovered in the future.

The non-controlling interests 50% in Shandong FSY Development recognized at the acquisition date was measured by reference to their proportionate share of the fair value of identifiable net assets acquired.

Included in the profit for the year ended December 31, 2011 is loss of approximately RMB600,000 attributable to the additional business generated by Shandong FSY Development. Revenue for the year ended December 31, 2011 includes approximately RMB24,359,000 generated from Shandong FSY Development.

Had the acquisition been completed on January 1, 2011, total group revenue for the year would have been approximately RMB423,334,000, and profit for the year 2011 would have been approximately RMB141,285,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2011, nor is it intended to be a projection of future results.

(b) Acquisition of 84.27% equity interest in Jinzhou Maoshan Anling

In May 2012, Chongqing FSY Industrial, a wholly-owned subsidiary of the Group, acquired 84.27% equity interest in Jinzhou Maoshan Anling for a cash consideration of RMB70,000,000. After the acquisition, Jinzhou Maoshan Anling became an indirectly 84.27%-owned subsidiary of the Company. In January 2013, the Group acquired the remaining 15.73% equity interest and Jinzhou Maoshan Anling became indirectly wholly owned subsidiary of the Company for a cash consideration of RMB11,000,000. The acquisition in May 2012 was accounted for using the acquisition method. Jinzhou Maoshan Anling is engaged in a sale of burial plots and was acquired as part of the Group's expansion.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	RMB'000
Net assets acquired:	
Property and equipment	25,303
Intangible assets	71
Cemetery assets	52,872
Inventories	13,140
Other receivables	21,097
Bank balances and cash	5,963
Trade and other payables	(28,682)
Deferred tax liabilities	(4,200)
Borrowings	(6,927)
	78,637
Non-controlling interests	(12,375)
Goodwill	3,738
Satisfied by:	
Cash paid in 2012	70,000
Net cash outflow arising on acquisition:	
Cash consideration paid	70,000
Less: bank balances and cash acquired	(5,963)
	64,037

The fair value and gross contractual amounts of other receivables at the date of acquisition approximated their carrying amounts and were expected to be fully recovered in the future.

The non-controlling interests 15.73% in Jinzhou Maoshan Anling recognized at the acquisition date was measured by reference to their proportionate share of the fair value of identifiable net assets acquired.

Goodwill arose in the acquisition of Jinzhou Maoshan Anling because the consideration paid for the combination effectively included amounts in relation to the future business growth of Jinzhou Maoshan Anling. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the above acquisition is expected to be deductible for the tax purposes.

Included in the profit for the year ended December 31, 2012 is approximately RMB2,657,000 attributable to the additional business generated by Jinzhou Maoshan Anling. Revenue for the year ended December 31, 2012 includes approximately RMB31,201,000 generated from Jinzhou Maoshan Anling.

Had the acquisition been completed on January 1, 2012, total group revenue for the year would have been approximately RMB495,017,000, and profit for the year would have been approximately RMB138,129,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2012, nor is it intended to be a projection of future results.

(c) Acquisition of 50.89% equity interest in Nanchang Hongfu

On December 16, 2012, Shanghai FSY Industry Development, a wholly-owned subsidiary of the Group, acquired 50.89% equity interest in Nanchang Hongfu for a cash consideration of RMB45,800,000. After the acquisition, Nanchang Hongfu became an indirectly 50.89%-owned subsidiary of the Company because a valid resolution requires more than 50% votings from all shareholders of Nanchang Hongfu, such that the Group has the practical ability to direct the relevant activities of Nanchang Hongfu unilaterally. The acquisition was accounted for using the acquisition method. Nanchang Hongfu is engaged in sale of burial plots and was acquired as part of the Group's expansion.

The net assets acquired in the transaction are as follows:

	RMB'000
Net assets acquired:	
Property and equipment	20
Other receivables	729
Bank balances and cash	89,726
Trade and other payables	(121)
Income tax liabilities	(356)
	89,998
Non-controlling interests	(44,198)
Satisfied by:	
Cash paid in 2012	45,800
Net cash inflow arising on acquisition:	
Cash consideration paid	45,800
Less: bank balances and cash acquired	(89,726)
	(43,926)

The non-controlling interests 49.11% in Nanchang Hongfu recognized at the acquisition date was measured by reference to their proportionate share of the fair value of identifiable net assets acquired.

The Directors considered that the carrying amounts of the net assets acquired upon acquisition approximated to their fair values.

As Nanchang Hongfu was only acquired near the end of 2012, it did not generate any revenue nor profit to the Group for the year ended December 31, 2012.

Had the acquisition been completed on January 1, 2012, total group revenue for the year would remain unchanged and profit for the year would have been approximately RMB139,139,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2012, nor is it intended to be a projection of future results.

(d) Acquisition of control power in Shanghai Nanyuan

On January 4, 2013, Shanghai FSY Industry Development, a wholly-owned subsidiary of the Group, entered into an agreement with all other equity holders of Shanghai Nanyuan, the then 40%-owned associate of the Group, pursuant to which all other equity holders of Shanghai Nanyuan assigned irrevocable rights to Shanghai FSY Industry Development unconditionally and without conditions to direct the relevant activities of Shanghai Nanyuan unilaterally. As such, Shanghai Nanyuan became an indirectly 40%-owned subsidiary of the Company. The acquisition was accounted for using the acquisition method and an amount of approximately RMB16,428,000, representing a gain on deemed disposal of an associate, was recognized as income for the period ended June 30, 2013. Shanghai Nanyuan is engaged in sale of burial plots and was acquired as part of the Group's expansion.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	RMB'000
Net assets acquired:	
Property and equipment	9,907
Cemetery assets	70,602
Inventories	41,766
Other receivables	400
Bank balances and cash	38,788
Trade and other payables	(9,885)
Income tax liabilities	(16,200)
Deferred tax liabilities	(5,496)
	129,882
Non-controlling interests	(77,929)
Transferred from interest previously held as an associate	(61,548)
Goodwill	9,595
Satisfied by:	
Cash paid in 2013	—
Net cash outflow arising on acquisition:	
Cash consideration paid	—
Less: bank balances and cash acquired	(38,788)
	(38,788)

The fair value and gross contractual amounts of other receivables at the date of acquisition approximated their carrying amounts and were expected to be fully recovered in the future.

The non-controlling interests 60% in Shandong Nanyuan recognized at the acquisition date was measured by reference to their proportionate share of the fair value of identifiable net assets acquired.

Goodwill arose in the acquisition of Shanghai Nanyuan because the consideration for the combination effectively included amounts in relation to the future business growth of Shanghai Nanyuan. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the above acquisition is expected to be deductible for the tax purposes.

Included in the profit for the six months ended June 30, 2013 is approximately RMB20,910,000 attributable to the additional business generated by Shanghai Nanyuan. Revenue for the six months ended June 30, 2013 includes approximately RMB42,514,000 generated from Shanghai Nanyuan.

No pro forma information is presented as the acquisition was completed on January 4, 2013, which is close to January 1, 2013.

34. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's outlets which fall due as follows:

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,495	4,038	3,190	2,445
In the second to fifth years inclusive	3,716	4,830	4,429	4,382
After five years	440	683	78	59
	6,651	9,551	7,697	6,886

Operating lease payments represent rentals payable by the Group for certain properties and land. The leases typically run for an initial period of two to five years.

35. CAPITAL COMMITMENTS

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property and equipment:				
- contracted for but not provided in the consolidated financial statements	941	188	85,897	72,872
- authorized but not yet contracted for	—	—	800	115,790

36. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute 12% to 22% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of approximately RMB3,394,000, RMB4,280,000, RMB6,751,000 and RMB3,558,000 for the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2013 respectively, represent contributions paid and/or payable to the scheme by the Group for the Track Record Period.

37. RELATED PARTY DISCLOSURES

(a) Amounts due from related parties

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Associates of the Group				
Shandong FSY Development#	35,604	—	—	—
Shanghai Nanyuan ^	808	—	10	—
Founding Shareholder				
Zhongfu	81	30,300	10,495	10,735
Shareholders				
Treasure Bridge Investments Limited	—	—	17	17
Chief Union Investments Limited	—	—	17	17
Double Riches Investments Limited	—	—	5	5
Members of the Initial Group Individual Shareholders				
Wang Ji Sheng	—	—	1,352	—
Ge Qiansong	—	—	902	—
	36,493	30,300	12,798	10,774

The above balances are non-trade balances, unsecured and repayable on demand. Except for an amount due from Zhongfu of approximately RMB30,300,000, RMB10,495,000 and 10,735,000 as at December 31, 2011, 2012 and June 30, 2013 respectively, with fixed interest rates at 6.56%, 6.00% and 6.00% per annum respectively, and an amount due from Shandong FSY Development of approximately RMB35,604,000 as at December 31, 2010 with fixed interest rate at 5.31% per annum, other balances are non-interest-bearing. All of the amounts due from related parties as at June 30, 2013 have been fully settled as of the date of this report.

* The English names of the above entities established in the PRC are translated for identification purpose only.

\# This entity became a subsidiary of the Group in 2011 as part of the Reorganization.

^ This entity became a subsidiary of the Group in 2013 as part of the Reorganization.

(b) Amounts due to related parties

	The Group			
	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Founding Shareholders				
Anhe	4,000	19,000	19,000	—
Zhongfu	14,949	16,763	27,514	7,193
Entities controlled by the Founding Shareholders				
Shanghai Zhongfu Engineering Construction Co., Ltd.* 上海中福工程建設有限公司	855	284	—	—
Glory Line Limited	—	35,678	35,675	—
Millennium Investment Limited	—	—	3,162	—
Shanghai Zhongfu International Trading Co., Ltd.* 上海眾福國際貿易有限公司	—	9,000	9,000	310
Members of the Initial Group Individual Shareholders				
Wang Jisheng	6,681	5,481	4,080	2,728
Ge Qiansong	4,454	3,654	2,720	1,818
Li Jianning	500	500	500	500
	31,439	90,360	101,651	12,549
Carrying amounts shown under:				
Current liabilities	30,939	54,182	65,476	12,549
Non-current liabilities	500	36,178	36,175	—
	31,439	90,360	101,651	12,549
Trade	855	284	—	—
Non-trade	30,584	90,076	101,651	12,549
	31,439	90,360	101,651	12,549

* The English names of the above entities established in the PRC are translated for identification purpose only.

Except for an amount due to Zhongfu of RMB14,949,000 as at December 31, 2010 with fixed interest rates at 5.81% per annum, other balances are interest-free.

As at December 31, 2010, 2011 and 2012, Glory Line Limited and Li Jianning have respectively provided written confirmations to the Group in confirming that these parties shall not demand repayment of the respective amounts due to them within the twelve months from each of the period end. Accordingly, the respective amounts due to these parties are shown under non-current.

The amounts due to Zhongfu of RMB7,193,000 and Shanghai Zhongfu International Trading Co., Ltd. of RMB310,000 as of June 30, 2013 have been fully settled as of the date of this report.

As of the date of this report, the Group has settled RMB3,490,000 of the total amount due to Members of the Initial Group Individual Shareholders by offsetting it against the same amount that is due from senior management in relation to individual income tax paid on behalf by the Group as set out in note 26(d). The Directors expect that the remaining balance of RMB1,556,000 will be fully settled prior to Listing.

As at December 31, 2012, amount due to a related party of the Company represented the amount due to the then wholly-owned subsidiary FSY Hong Kong, which is unsecured, interest-free and repayable on demand.

(c) Related party transactions

During the Track Record Period, the Group entered into the following transactions with related parties:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*	RMB'000
Interest income generating from borrowings					
Zhongfu	—	300	2,275	1,138	238
Shandong FSY Development # .	564	N/A	N/A	N/A	N/A
	564	300	2,275	1,138	238
Interest expense arising from borrowings					
Zhongfu	5,589	—	—	—	—

\# Shandong FSY Development became a subsidiary after the Group obtained it's controlling interests on March 1, 2011. Details are set out in note 33(a).

(d) Purchase from related party

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 *(Unaudited)*	RMB'000
Entity controlled by the founding Shareholders					
Shanghai Zhongfu Engineering Construction Co., Ltd. 上海中福工程建設有限公司 . . .	880	548	291	—	—

(e) Compensation of key management personnel

The remuneration of Directors, who are also key management, is disclosed in note 12.

(f) Guarantee by related party

As disclosed in notes 26 and 29, a loan to an independent third party and certain borrowings of the Group are guaranteed by Zongfu.

38. LOANS FROM NON-CONTROLLING INTERESTS

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Hefei Shushan Martyr Cemetery Lingyuan Management * 合肥蜀山烈士陵園管理處	1,048	900	900	—
Shandong World Trade Center 山東世界貿易中心	—	53,672	44,989	48,627
	1,048	54,572	45,889	48,627

* The English names of the entity established in the PRC is translated for identification purpose only.

Except for loan from Shandong World Trade Center of RMB53,672,000, RMB44,989,000 and RMB48,627,000 as at December 31, 2011, 2012 and June 30, 2013, respectively, carried fixed interest rates at 6.40%, 9.20% and 9.18% per annum, respectively, other balances are interest-free.

As at December 31, 2010, 2011, 2012 and June 30, 2013, Shandong World Trade Center has provided a written confirmation to the Group in confirming that it shall not demand repayment of the amount due to it within the twelve months from each of the period end. Accordingly, the amount is shown under non-current.

As at December 31, 2010, 2011 and 2012, Hefei Shushan Martyr Cemetery Lingyuan Management has provided a written confirmation to the Group in confirming that it shall not demand repayment of the amount due to it within the twelve months from each of the period end. Accordingly, the amount is shown under non-current.

39. RESERVES

The Company

	Share capital	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000
At date of incorporation	—	—	—
Issue of new shares pursuant to the Reorganization	—	—	—
Loss and total comprehensive expense for the year	—	(29)	(29)
At December 31, 2012	—	(29)	(29)
Loss and total comprehensive expense for the period	—	(8,309)	(8,309)
At June 30, 2013	—	(8,338)	(8,338)

40. MAJOR NON-CASH TRANSACTIONS

During the six months ended June 30, 2013, the Founding Shareholders took up amounts due to related parties amounting to RMB79,667,000 and waived the repayment of the same amount. The waiver is accounted for as deemed contribution from the Shareholders.

41. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests				Profit (loss) allocated to non-controlling interests				Accumulated non-controlling interests			
		At December 31,			At June 30,	For the years ended December 31,			For the six months ended June 30,	At December 31,			At June 30,
		2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
		%	%	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Henan FSY Industrial (note (a))	PRC	45	45	45	—	1,515	1,380	2,991	—	38,306	39,686	42,677	—
Hefei Dashushan Co .	PRC	40	40	40	40	7,900	9,803	10,385	6,516	16,212	18,015	19,200	15,716
Jinzhou Maoshan Anling.	PRC	—	—	15.73	—	—	—	418	—	—	—	12,793	—
Nanchang Hongfu . .	PRC	—	—	49.11	49.11	—	—	—	(5)	—	—	44,198	44,193
Shandong FSY Development . . .	PRC	(note (b))	50	50	50	—	(300)	137	(515)	—	18,410	18,547	18,032
Shanghai Nanyuan . .	PRC	(note (c))	(note (c))	(note (c))	60	—	—	—	12,546	—	—	—	90,473
Individually immaterial subsidiaries with non-controlling interests										—	—	500	700
Total										54,518	76,111	137,915	169,114

Notes:

(a) As disclosed on I-7 of the Accountant's Report, the Group has 72.76% voting rights in Henan FSY Industrial, 55% of which was directly held by the Group and 17.76% of which was assigned unconditionally and without conditions to the Group.

(b) As disclosed on I-8 of the Accountant's Report, Shandong FSY Development was an associate of the Group prior to March 1, 2011 and became a subsidiary since March 1, 2011.

(c) As disclosed on I-8 of the Accountant's Report, Shanghai Nanyuan was an associate of the Group prior to January 4, 2013 and became a subsidiary since January 4, 2013.

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Henan FSY Industrial

	At December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Current assets	44,337	45,303	59,770
Non-current assets	76,007	73,530	76,435
Current liabilities	(15,794)	(8,835)	(17,153)
Non-current liabilities	(19,426)	(21,808)	(24,214)
Equity attributable to owners of the Company	46,818	48,504	52,161
Non-controlling interests	38,306	39,686	42,677

	Year ended December 31,		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Revenue	23,479	26,612	29,712
Expenses	(20,112)	(23,546)	(23,064)
Profit and total comprehensive income attributable to the owner of the Company	1,852	1,686	3,657
Profit and total comprehensive income attributable to non-controlling interests	1,515	1,380	2,991
Profit and total comprehensive income for the year	3,367	3,066	6,648
Net cash (outflow) inflow from operating activities	(31)	(482)	7,203
Net cash (outflow) inflow from investing activities	(266)	(928)	(3,849)
Net cash (outflow) inflow	(297)	(1,410)	3,354

Hefei Dashushan Co

	At December 31,			At June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	54,035	58,352	65,781	63,524
Non-current assets	16,214	15,681	14,600	14,050
Current liabilities	(22,514)	(20,365)	(22,241)	(27,970)
Non-current liabilities	(7,205)	(8,629)	(10,140)	(10,314)
Equity attributable to owners of the Company	24,318	27,024	28,800	23,574
Non-controlling interests	16,212	18,015	19,200	15,716

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	46,415	57,572	62,727	35,424
Expenses	(26,666)	(33,063)	(36,766)	(19,134)
Profit and total comprehensive income attributable to the owner of the Company	11,849	14,706	15,576	9,774
Profit and total comprehensive income attributable to non-controlling interests	7,900	9,803	10,385	6,516
Profit and total comprehensive income for the year	19,749	24,509	25,961	16,290
Dividends paid to non-controlling interests	4,000	8,000	9,200	10,000
Net cash inflow from operating activities	26,309	22,877	28,996	12,826
Net cash outflow from investing activities	(664)	(86)	(99)	(16)
Net cash outflow from financing activities	(10,000)	(20,000)	(23,000)	—
Net cash inflow	15,645	2,791	5,897	12,810

Jinzhou Maoshan Anling

	At December 31, 2012
	RMB'000
Current assets	33,543
Non-current assets	81,362
Current liabilities	(30,017)
Non-current liabilities	(3,559)
Equity attributable to owners of the Company	68,536
Non-controlling interests	12,793

	Year ended December 31, 2012
	RMB'000
Revenue	31,201
Expenses	(28,544)
Profit and total comprehensive income attributable to the owner of the Company	2,239
Profit and total comprehensive income attributable to non-controlling interests	418
Profit and total comprehensive income for the year	2,657
Net cash inflow from operating activities	11,833
Net cash outflow from investing activities	(2,432)
Net cash outflow from financing activities	(8,820)
Net cash inflow	581

Nanchang Hongfu

	At December 31, 2012	At June 30, 2013
	RMB'000	RMB'000
Current assets	90,455	52,267
Non-current assets	20	42,433
Current liabilities	(477)	(4,712)
Equity attributable to owners of the Company	45,800	45,795
Non-controlling interests	44,198	44,193

	Year ended December 31, 2012	Six months ended June 30, 2013
	RMB'000	RMB'000
Revenue	—	—
Expenses	—	(10)
Loss and total comprehensive income attributable to the owner of the Company	—	(5)
Loss and total comprehensive income attributable to non-controlling interest	—	(5)
Loss and total comprehensive income for the year	—	(10)
Dividends paid to non-controlling interests	—	—
Net cash outflow from operating activities	—	(31,974)
Net cash outflow from investing activities	—	(41,413)
Net cash outflow	—	(73,387)

Shandong FSY Development

	At December 31,		At June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	17,972	22,462	31,941
Non-current assets	131,428	128,359	128,807
Current liabilities	(58,273)	(67,434)	(74,451)
Non-current liabilities	(54,307)	(46,293)	(50,233)
Equity attributable to owners of the Company	18,410	18,547	18,032
Non-controlling interests	18,410	18,547	18,032

	Year ended December 31,		Six months ended June 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	24,359	35,354	19,432
Expenses	(24,959)	(35,080)	(20,462)
Profit (loss) and total comprehensive income attributable to the owner of the Company	(300)	137	(515)
Profit (loss) and total comprehensive income attributable to non-controlling interest	(300)	137	(515)
Profit (loss) and total comprehensive income for the year	(600)	274	(1,030)
Net cash inflow (outflow) from operating activities	2,870	(3,370)	1,365
Net cash outflow from investing activities	(6,765)	(14)	(560)
Net cash inflow from financing activities	3,000	2,000	5,000
Net cash (outflow) inflow	(895)	(1,384)	5,805

Shanghai Nanyuan

	At June 30, 2013
	RMB'000
Current assets	109,968
Non-current assets	78,838
Current liabilities	(37,037)
Non-current liabilities	(981)
Equity attributable to owners of the Company	60,315
Non-controlling interests	90,473

	Six months ended June 30, 2013
	RMB'000
Revenue	42,514
Expenses	(21,604)
Profit and total comprehensive income attributable to the owner of the Company	8,364
Profit and total comprehensive income attributable to non-controlling interest	12,546
Profit and total comprehensive income for the year	20,910
Dividends paid to non-controlling interests	—
Net cash inflow from operating activities	21,484
Net cash outflow from investing activities	(490)
Net cash inflow	20,994

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Directors or any of its subsidiaries during the Track Record Period.

Under the arrangements presently in force, the aggregate remuneration of the Directors for the year ending December 31, 2013, excluding discretionary bonus, is approximately RMB696,000.

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to June 30, 2013:

(i) Share option scheme

Pursuant to shareholders' written resolutions passed on March 10, 2013 to approve the matters set out in the paragraph headed "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix V to this prospectus, 57,613,169 options at an exercise price of RMB0.9 each have been granted to eligible employees and directors of the Group on August 8, 2013, entitling them to subscribe for the Company's shares under the pre-IPO share option scheme of the Company. The Directors are in the process of assessing the impact of the share options granted.

Pursuant to shareholders' written resolutions passed on December 3, 2013, another share option scheme has been conditionally adopted by the Company (the "Share Option Scheme"). The principal terms of the Share Option Scheme are summarized in "Statutory and General Information — F. Post-IPO Share Option Scheme" in Appendix V to this prospectus. No option has been granted under the Share Option Scheme up to the date of this report.

(ii) Changes in share capital

On July 9, 2013, the par value of the Company's shares was sub-divided from US$1 per share to US$0.01 per share, and as a result, the authorized share capital and total issued share capital of the Company increased to 5,000,000 shares and 100 shares of par value of US$0.01 each respectively;

On July 9, 2013, an additional 9,900 Company's shares were allotted and issued for cash consideration of US$9,900, which were credited as fully paid;

Pursuant to shareholders' written resolutions passed on July 9, 2013, the authorized share capital of the Company was increased from 5,000,000 shares to 20,000,000,000 shares with par value of US$0.01 each by the creation of an additional 19,995,000,000 shares; and

On December 3, 2013, an additional 1,499,990,000 Company shares were allotted and issued, credited as fully paid at par value, by way of capitalization.

(iii) Dividends

On December 3, 2013, the Company has declared distributions in an amount of RMB55,000,000 as the dividends to the shareholders of the Company.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013 as if it had taken place on June 30, 2013.

The pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013 as set out in the Accountant's Report set out in Appendix I to the prospectus, and adjusted as described below. The pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013 does not form part of the Accountant's Report as set out in Appendix I to this prospectus.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013(1)(5)(6)	Estimated net proceeds from the Global Offering(2)	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$(4)
Based on an Offer Price of HK$2.88 per Offer Share	302,813	1,068,626	1,371,439	0.69	0.87
Based on an Offer Price of HK$3.33 per Offer Share	302,813	1,241,283	1,544,096	0.77	0.98

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2013 of approximately RMB345 million less the intangible assets and goodwill of the Group as of June 30, 2013 of approximately RMB42 million.

(2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$2.88 per Offer Share and HK$3.33 per Offer Share, being the lower end and upper end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately HK$11 million listing-related expense which has been accounted for prior to June 30, 2013) payable by the Company in connection with the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the rate of HK$1.00 to RMB0.7911. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 2,000,000,000 Shares expected to be in issue immediately following the completion of the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be allotted and issued upon the exercise of any options that have been granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or any Shares that may be issued or repurchase pursuant to the Company's general mandate.

(4) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.7911. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) As of September 30, 2013, the Group's property interests were valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, and the related property valuation report is set out in Appendix III to this prospectus. The net valuation surplus of approximately RMB137 million, which represents the excess of market value over the carrying amount of the Group's property interests as at September 30, 2013, has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013. The valuation surplus will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual amortization charge of approximately RMB3 million would be incurred.

(6) No adjustment has been made to the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2013 to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2013. No adjustment has been made to reflect the declaration of dividends in aggregate amount of RMB55 million on December 3, 2013.

B. REPORTING ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF FU SHOU YUAN INTERNATIONAL GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fu Shou Yuan International Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2013 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated December 9, 2013 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at June 30, 2013 as if the Global Offering had taken place at June 30, 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended December 31, 2012 and the six months ended June 30, 2013, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 9, 2013

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at September 30, 2013 of the properties held by the Group.

JONES LANG LASALLE 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

December 9, 2013

The Board of Directors
Fu Shou Yuan International Group Limited
4th Floor
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties held by Fu Shou Yuan International Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at September 30, 2013 (the "valuation date").

These properties are categorized as property activities and the carrying amount of each property is above 1% of the total assets of the Group.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Where, due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by Cost Approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the relevant land sales as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the portions of the property no. 3 which are currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation - Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisors — Watson & Band Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in May 2013 by Mr. Arnold Gao, Mr. Peter Cao, Mr. James Liang, Mr. Sifan Liu and Mr. Yicheng Li. Mr. Arnold Gao is a member of the RICS and a qualified land valuer of China, Mr. Peter Cao is a China Real Estate Appraiser and Mr. James Liang is a probationer of the RICS. Mr. Sifan Liu has 5 years' experience and Mr. Yicheng Li has 1 year's experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held for cemetery purpose by the Group in the PRC

No.	Property	Capital value in existing state as at September 30, 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at September 30, 2013 *RMB*
1.	Shanghai Fu Shou Yuan located at Nos. 600 and 603, Lane 7270, Wai Qing Song Avenue Qingpu District Shanghai The PRC	No commercial value	100%	No commercial value
2.	Haigang Fu Shou Yuan located at No. 1717 Qiqing Road Pudong New District Shanghai The PRC	86,102,000	40%	34,441,000
3.	Henan Fu Shou Yuan located at No. 1 Shuangmei Road Longhu Town Xinzheng City Henan Province The PRC	108,795,000	100%	108,795,000
4.	Shandong Fu Shou Yuan located at the southern side of Longquanguanzhuang Village Xiaoli Town Changqing District Jinan City Shandong Province The PRC	142,729,000	50%	71,365,000
5.	Hefei Dashushan Cultural Cemetery located at the western side of Dashushan scenic spots Jingang Town Hefei City Anhui Province The PRC	38,411,000	60%	23,047,000

No.	Property	Capital value in existing state as at September 30, 2013 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at September 30, 2013 *RMB*
6.	Jinzhou Maoshan Anling located in Maoshan scenic spots Maoshan Village Jinzhou City Liaoning Province The PRC	10,396,000	100%	10,396,000
	Total:	386,433,000		248,044,000

VALUATION CERTIFICATE

Property interests held for cemetery purpose by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013 *RMB*
1.	Shanghai Fu Shou Yuan located at Nos. 600 and 603, Lane 7270, Wai Qing Song Avenue Qingpu District Shanghai The PRC	The property comprises 4 parcels of land with a total site area of approximately 402,034 sq.m. and 60 buildings and various ancillary structures erected thereon which were completed in various stages between 1995 and 2010. The buildings have a total gross floor area of approximately 23,667.26 sq.m. The buildings mainly include columbarium, service building, museum, office building, guard room and lavatory. The structures mainly include boundary walls, roads and landscaped works. The land use rights of the property have been allocated to the Group for cemetery and municipal facilities work use.	Apart from portions of the property which are occupied by Shanghai FSY Industry Development for office and ancillary purposes, the remaining portion is occupied for cemetery purpose.	No commercial value

Notes:

1. Shanghai Fu Shou Yuan Industry Development Co., Ltd. ("Shanghai FSY Industry Development") is a wholly-owned subsidiary of the Company.

2. Pursuant to 3 Real Estate Title Certificates — Hu Fang Di Qing Zi (2007) Di Nos. 009831 and 009834 and Hu Fang Di Qing Zi (2012) Di No. 010948, 50 buildings with a total gross floor area of approximately 21,523.38 sq.m. are owned by Shanghai FSY Industry Development and the land use rights of 3 parcels of land with a total site area of approximately 226,325 sq.m. have been allocated to Shanghai FSY Industry Development for cemetery use.

3. Pursuant to a Real Estate Title Certificate — Hu Fang Di Qing Zi (2007) Di No. 010201, 8 buildings with a total gross floor area of approximately 1,973.88 sq.m. are owned by Shanghai FSY Industry Development and the land use rights of a parcel of land with a site area of approximately 175,709 sq.m. have been allocated to Shanghai FSY Industry Development for municipal facilities work use.

4. For 2 buildings of the property with a total gross floor area of approximately 170 sq.m., we have not been provided with Real Estate Title Certificate.

5. According to 2 Maximum Amount Mortgage Contracts, a parcel of land and the buildings erected thereon (under the Real Estate Title Certificate — Hu Fang Di Qing Zi (2007) Di No. 010201) are subject to mortgage as securities in favor of Shanghai Rural Commercial Bank Qingpu Sub-branch for bank loan at the maximum amount of RMB19,950,000 with the mortgage term from March 22, 2013 to March 21, 2016 and RMB20,000,000 with the mortgage term from January 4, 2011 to January 3, 2014.

6. In the valuation of this property, we have attributed no commercial value to the property due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures of the property (excluding the land) as at the valuation date would be RMB71,873,000 assuming all relevant proper title certificates had been obtained and the buildings could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a) According to the Confirmations issued by Shanghai Qingpu Planning, Land & Resources Administration Bureau, the use and management of the land use rights of the property by Shanghai FSY Industry Development are in compliance with the relevant laws and regulations. Shanghai FSY Industry Development will not be asked to vacate the land or convert the allocated land to granted land and pay a land premium;

   b) Shanghai FSY Industry Development is limited to dispose of the land use rights and the buildings of the property due to the allocated land nature;

   c) Portions of the property mentioned in note 5 are subject to mortgages and it is legally valid; and

   d) Shanghai FSY Industry Development has not obtained Construction Work Planning Permit for the buildings mentioned in note 4 and thus violated the relevant regulations. Shanghai FSY Industry Development may be asked to demolish these buildings and be fined with the maximum amount of 10% of the construction cost of these buildings by the relevant authorities. Due to lack of relevant permits for the construction of these buildings, Shanghai FSY Industry Development cannot legally transfer, lease, mortgage or otherwise dispose of these buildings.

8. As the property is the major asset held by the Group, we are of the view that the property is a material property.

   Details of the material property

a) General description of location of the property	:	The property is located at the southern side of Wai Qing Song Avenue and near Feng Jing Village Road, in Qingpu District at the western part of Shanghai. The site of the property is in irregular shape and the neighborhood is mainly farmland. It is accessible to Wai Qing Song Avenue and Jiao Huan Road within the locality connecting the property to the downtown area of Shanghai.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	A parcel of land and the buildings erected thereon (under the Real Estate Title Certificate — Hu Fang Di Qing Zi (2007) Di No. 010201) are subject to mortgage as securities in favor of Shanghai Rural Commercial Bank Qingpu Sub-branch for bank loan at the maximum amount of RMB19,950,000 with the mortgage term from March 22, 2013 to March 21, 2016 and RMB20,000,000 with the mortgage term from January 4, 2011 to January 3, 2014.
c) Environmental Issue	:	No environmental study has been carried out.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	The land of the property is in allocated land nature and 2 buildings of the property with a total gross floor area of approximately 170 sq.m. have not obtained Real Estate Title Certificates.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, further development for cemetery will be carried out on the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013 *RMB*
2.	Haigang Fu Shou Yuan located at No. 1717 Qiqing Road Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 100,523.1 sq.m. and 2 buildings and various ancillary structures erected thereon which were completed in 2006. The buildings have a total gross floor area of approximately 184 sq.m. The buildings comprise a guard room and a lavatory. The structures mainly include gloriettes, roads and landscaped works. The land use rights of the property have been granted for a term expiring on December 30, 2056 for funeral facilities use.	Apart from portions of the property which are occupied by Shanghai Nanyuan for office and ancillary purposes, the remaining portion is occupied for cemetery purpose.	86,102,000 40% interest attributable to the Group: RMB34,441,000

Notes:

1. Shanghai Nanyuan Industrial Development Co., Ltd. ("Shanghai Nanyuan") is a 40% interest owned subsidiary of the Company.

2. Pursuant to a Real Estate Title Certificate — Hu Fang Di Nan Zi (2008) Di No. 012279, the land use rights of a parcel of land with a site area of approximately 100,523.1 sq.m. have been granted to Shanghai Nanyuan for a term expiring on December 30, 2056 for funeral facilities use.

3. For 2 buildings of the property with a total gross floor area of approximately 184 sq.m., we have not been provided with Real Estate Title Certificates.

4. In the valuation of this property, we have attributed no commercial value to 2 buildings which have not obtained Real Estate Title Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB357,000 assuming all relevant title certificates had been obtained and the buildings could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a) Shanghai Nanyuan legally owns the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property;

   b) The property is not subject to any third party encumbrance; and

   c) Shanghai Nanyuan has not obtained Construction Work Planning Permit for the buildings mentioned in note 3 and thus violated the relevant regulations. Shanghai Nanyuan may be asked to demolish these buildings and be fined with the maximum amount of 10% of the construction cost of these buildings by the relevant authorities. Due to lack of relevant permits for construction of these buildings, Shanghai Nanyuan cannot legally transfer, lease, mortgage or otherwise dispose of these buildings.

6. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property

a) General description of location of the property	:	The property is located at the eastern side of Lianggang Avenue and near Qiqing Road, in Linggang New City, Pudong New District which is at the most south-eastern part of Shanghai. The site of the property is in irregular shape and the neighborhood is mainly farmland. It is accessible to Lianggang Avenue and Hu Lu Highway within the locality connecting the property to the downtown area of Shanghai.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil.
c) Environmental Issue	:	No environmental study has been carried out.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	2 buildings of the property with a total gross floor area of approximately 184 sq.m. have not obtained Real Estate Title Certificates.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, further development for cemetery will be carried out on the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013 *RMB*
3.	Henan Fu Shou Yuan located at No. 1 Shuangmei Road Longhu Town Xinzheng City Henan Province The PRC	The property comprises 7 parcels of land with a total site area of approximately 302,191.18 sq.m., 5 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2012. The buildings have a total gross floor area of approximately 2,913 sq.m. The buildings include an office building, a buddhism praying hall, 2 lavatories and a grocery store. The structures mainly include a square, sculptures, landscaped works, boundary walls and roads. The property also comprises 2 buildings (the "CIP buildings") which are under construction. The CIP buildings are scheduled to be completed in December 2013. The total gross floor area of the CIP buildings upon completion will be approximately 1,896.48 sq.m. The land use rights of the property have been granted for terms expiring in May 2055 (for 58,542.68 sq.m.) and June 2055 (for the remaining 243,648.5 sq.m.) for composite use.	Apart from portions of the property which are occupied by Henan FSY Industrial for office and ancillary purposes and the CIP buildings which are under construction, the remaining portion is occupied for cemetery purpose.	108,795,000 100% interest attributable to the Group: RMB108,795,000

Notes:

1. Henan Fu Shou Yuan Industrial Co., Ltd. ("Henan FSY Industrial") is an indirect wholly-owned subsidiary of the Company.
2. Pursuant to 7 State-owned Land Use Rights Certificates — Xin Guo Yong (2013) Di Nos. 074 to 080, the land use rights of 7 parcels of land with a total site area of approximately 302,191.18 sq.m. have been granted to Henan FSY Industrial for terms expiring in May 2055 (for 58,542.68 sq.m.) and June 2055 (for the remaining 243,648.5 sq.m.) for composite use.
3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 410184201200021108109 in favor of Henan FSY Industrial, the construction works of the CIP buildings with a total planned gross floor area of approximately 1,896.48 sq.m. have been approved.
4. Pursuant to a Construction Work Commencement Permit — No. 41010220120713025 issued by Xinzheng City Construction and Transportation Council in favor of Henan FSY Industrial, the commencement of the construction works of the CIP buildings with a total planned gross floor area of approximately 1,896.48 sq.m. have been permitted.

5. As advised by Henan FSY Industrial, the total construction cost of the CIP buildings is estimated to be approximately RMB4,000,000, of which RMB3,938,117 had been paid up to the valuation date.

6. In the valuation of this property, we have attributed no commercial value to 5 buildings with a total gross floor area of approximately 2,913 sq.m. which have not obtained any building ownership certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the these buildings (excluding the land) as at the valuation date would be RMB3,478,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a) Henan FSY Industrial legally owns the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property;

   b) The land use rights of the property are not subject to any third party encumbrance;

   c) Henan FSY Industrial has not obtained Construction Work Planning Permit when the buildings mentioned in note 6 are constructed. Henan FSY Industrial may be asked to demolish these buildings and be fined with the maximum amount of 10% of the construction cost of these buildings by the relevant authorities. Due to lack of relevant permits for the construction of the buildings, Henan FSY Industrial cannot legally transfer, lease, mortgage or otherwise dispose of these buildings; and

   d) Henan FSY Industrial has obtained the relevant construction permits for the CIP buildings. Henan FSY Industrial can apply for the building ownership certificates for these buildings after fulfilling the relevant construction completion acceptance procedures.

8. As the property is the major asset held by the Group, we are of the view that the property is a material property.

   Details of the material property

a) General description of location of the property	:	The property is located at the northern side of Shuangmei Road and to the west of an industrial land, in the northern suburb of Xinzheng City, which is a satellite city at the south of Zhengzhou. The site of the property is in irregular shape and the neighborhood is mainly farmland. There are multi accesses to highway S88 and S1 connecting to Zhengzhou city center.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil.
c) Environmental Issue	:	No environmental study has been carried out.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	5 buildings with a total gross floor area of approximately 2,913 sq.m. have not obtained building ownership certificates.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	2 CIP buildings are currently under construction. As advised by Henan FSY Industrial, the total construction cost of the CIP buildings is estimated to be approximately RMB4,000,000, of which RMB3,931,517 had been paid up to the valuation date. As advised by the Group, further development for cemetery will be carried out on the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013 *RMB*
4.	Shandong Fu Shou Yuan located at the southern side of Longquanguanzhuang Village Xiaoli Town Changqing District Jinan City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 522,857 sq.m. and 3 buildings and various ancillary structures erected thereon which were completed in in 2008. The buildings have a total gross floor area of approximately 1,441.99 sq.m. The buildings comprise an office building, a guard house and an electricity distribution room. The structures mainly include a square, landscaped works, boundary walls and roads. The land use rights of the property have been granted for a term expiring on December 21, 2060 for cemetery use.	Apart from portions of the property which are occupied by Shandong FSY Development for office and ancillary purposes, the remaining property is occupied for cemetery purpose.	142,729,000 50% interest attributable to the Group: RMB71,365,000

Notes:

1. Shandong Fu Shou Yuan Development Co., Ltd. ("Shandong FSY Development") is a 50% interest owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Grant Contract dated November 8, 2010, entered into between State-owned Land Resources Bureau of Jinan City and Shandong FSY Development, the land use rights of the property with a site area of approximately 522,857 sq.m. were contracted to be granted to Shandong FSY Development for a term of 50 years for cemetery use. The land premium was RMB70,585,700.

3. Pursuant to a State-owned Land Use Rights Certificate — Changqing Guo Yong (2012) Di No. 0700029, the land use rights of a parcel of land with site area of approximately 522,857 sq.m. have been granted to Shandong FSY Development for a term expiring on December 21, 2060 for cemetery use.

4. In the valuation of this property, we have attributed no commercial value to 3 buildings with a total gross floor area of approximately 1,441.99 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the valuation date would be RMB1,551,000 assuming all relevant title certificates had been obtained and the buildings could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a) Shandong FSY Development legally owns the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of the property;

   b) The land use rights of the property are not subject to any third party encumbrance; and

c) Shandong FSY Development has not obtained relevant construction permits for the buildings mentioned in note 4. Shandong FSY Development may be asked to demolish these buildings and be fined with the maximum amount of 10% of the construction cost of these buildings by the relevant authorities. However, according to the Confirmation issued by the People's Government of Changqing District, Jinan City, the relevant authorities will not request Shandong FSY Development to demolish these buildings. Due to lack of relevant permits for the construction of these buildings, Shandong FSY Development cannot legally transfer, lease, mortgage or otherwise dispose of these buildings.

6. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property

a) General description of location of the property	:	The property is located at the southern side of Dhi rizhao-heze expressway and near Longquanguanzhuang Village Road in Changqing District which is at the south-western part of Jinan City. The site of the property is in irregular shape and the neighborhood is mainly farmland. It is accessible to Dhi rizhao-heze expressway and Longquanguanzhuang Village Road within the locality connecting the property to the downtown area of Jinan City.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil.
c) Environmental Issue	:	No environmental study has been carried out.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	3 buildings of the property with a total gross floor area of approximately 1,441.99 sq.m. have not obtained building ownership certificates.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, further development for cemetery will be carried out on the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013 *RMB*
5.	Hefei Dashushan Cultural Cemetery located at the western side of Dashushan scenic spots Jingang Town Hefei City Anhui Province The PRC	The property comprises a parcel of land with a site area of approximately 87,702 sq.m. and 6 buildings and various ancillary structures erected thereon which were completed in various stages between 2003 and 2007. The buildings have a total gross floor area of approximately 1,337.76 sq.m. The buildings mainly include office building, columbarium and lavatory. The structures mainly include a square, car parking area, landscaped works, boundary walls and roads. The land use rights of the property have been granted for a term expiring in December 2050 for cemetery use.	Apart from portions of the property which are occupied by Hefei Dashushan Co for office and ancillary purposes, the remaining portion is occupied for cemetery purpose.	38,411,000 60% interest attributable to the Group: RMB23,047,000

Notes:

1. Hefei Dashushan Culture Cemetery Co., Ltd. ("Hefei Dashushan Co") is a 60% interest owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate — He Guo Yong (2002) Di No. 0226, the land use rights of a parcel of land with a site area of approximately 87,702 sq.m. have been granted to Hefei Dashushan Co for a term expiring in December 2050 for cemetery use.

3. Pursuant to 6 Building Ownership Certificates — Fang Di Quan He Chan Zi Di Nos. 080966, 080968 to 080972, 6 buildings of the property with a total gross floor area of approximately 1,337.76 sq.m. are owned by Hefei Dashushan Co.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a) Hefei Dashushan Co legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the property; and

   b) The property is not subject to any third party encumbrance.

5. As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property

a) General description of location of the property	:	The property is located at the western side of Dashushan and near a scenic spot in Jingang Town which is at the western part of Hefei. The site of the property is in irregular shape and the neighborhood is mainly hill and forest. It is accessible to Changjiang West Road and Hefei Beltway within the locality connecting the property to the downtown area of Hefei.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	Nil.
c) Environmental Issue	:	No environmental study has been carried out.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, further development for cemetery will be carried out on the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013 *RMB*
6.	Jinzhou Maoshan Anling located in Maoshan scenic spots Maoshan Village Jinzhou City Liaoning Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 141,436.5 sq.m. and 3 buildings and various ancillary structures erected thereon which were completed in various stages between 1993 and 2012. The buildings have a total gross floor area of approximately 3,606.84 sq.m. The buildings include 2 office buildings and one indoor basketball court. The structures mainly include car parking area, landscaped works, boundary walls and roads. The land use rights of a parcel of land of the property with a site area of approximately 4,664 sq.m. have been granted for a term expiring on January 17, 2047 for office use. For the remaining 2 parcels of land, the land use rights of a parcel of land with a site area of approximately 50,123.5 sq.m. have been allocated to the Group and the land use rights of the remaining parcel of land with a site area of approximately 86,649 sq.m. have been leased to the Group. (refer to notes 2 to 4)	Apart from portions of the property which are occupied by Jinzhou Maoshan Anling for office and ancillary purposes, the remaining portion is occupied for cemetery purpose.	10,396,000 100% interest attributable to the Group: RMB10,396,000

Notes:

1. Jinzhou City Maoshan Anling Co., Ltd. ("Jinzhou Maoshan Anling") is an indirect wholly-owned subsidiary of the Company.

2. Pursuant to a State-owned Land Use Rights Certificate — Jin Zhou Shi Tai He Qu Guo Yong (2012) Zi Di No. 000135, the land use rights of a parcel of land with a site area of approximately 4,664 sq.m. have been granted to Jinzhou Maoshan Anling for a term expiring on January 17, 2047 for office use.

3. According to a State-owned Land Use Rights Lease Agreement dated April 8, 2004, entered into between Jinzhou State-owned Land Resources Bureau, Guta Sub-branch and Jinzhou Maoshan Anling, the land use rights of a parcel of land with a site area of approximately 86,649 sq.m. were leased to Jinzhou Maoshan Anling for a term of 30 years at an annual rent of RMB259,947.

4. Pursuant to a State-owned Land Use Rights Certificate — Jin Gu Guo Yong (2012) Di No. 000034, the land use rights of a parcel of land with a site area of approximately 50,123.5 sq.m. have been allocated to Jinzhou Maoshan Anling for commercial and municipal use and a parcel of land with a site area of approximately 86,649 sq.m. have been leased to Jinzhou Maoshan Anling for commercial and municipal use.

5. Pursuant to 3 Building Ownership Certificates — Jin Fang Quan 01 Zi Di No. 00303739, 00303740 and 00303741, 3 buildings of the property with a total gross floor area of approximately 3,606.84 sq.m. are owned by Jinzhou Maoshan Anling.

6. According to a Maximum Amount Mortgage Contract, a parcel of land and the buildings erected thereon (under State-owned Land Use Rights Certificate — Jin Zhou Shi Tai He Qu Guo Yong (2012) Zi Di No. 000135 and Building Ownership Certificates — Jin Fang Quan 01 Zi Di No. 00303739, 00303740 and 00303741) are subject to mortgage as securities in favor of Jinzhou Bank Yongfeng Sub-branch for bank loan at the maximum amount of RMB6,000,000 with the mortgage term from May 8, 2012 to May 7, 2014.

7. In the valuation of this property, we have attributed no commercial value to portions of the land mentioned in notes 3 and 4 and the structures erected thereon due to the allocated and leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the structures (excluding the land) as at the valuation date would be RMB15,918,000 assuming all relevant title certificates had been obtained and the property could be freely transferred.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, inter alia, the following:

   a) Jinzhou Maoshan Anling is entitled to transfer, lease, mortgage or otherwise dispose of land use rights and buildings of the property mentioned in notes 2 and 5;

   b) According to the Confirmations issued by Jinzhou State-owned Land Resources Bureau Guta Sub-branch, Jinzhou Maoshan Anling's development and operation of the land use rights of the property for cemetery purpose mentioned in note 4 is in compliance with the relevant regulations. Jinzhou Maoshan Anling will not be asked to vacate the land or convert the allocated land to granted land and pay a land premium;

   c) The land lease agreement mentioned in note 3 is legally valid; and

   d) Portions of the property mentioned in note 6 are subject to mortgages.

9. As the property is the major asset held by the Group, we are of the view that the property is a material property.

   Details of the material property

a) General description of location of the property	:	The property is located at the south-western part of Maoshan Village and near Erlangdong Village in Taihe District which is at the north-western side of Jinzhou. The site of the property is in irregular shape and the neighborhood is mainly farmland and hills. It is accessible to Jin Dong Xian Road and Jin Chao Road within the locality connecting the property to the downtown area of Jinzhou.
b) Details of encumbrances, liens, pledges, mortgages against the property	:	A parcel of land (under State-owned Land Use Rights Certificate — Jin Zhou Shi Tai He Qu Guo Yong (2012) Zi Di No. 000135) and 3 buildings erected thereon (Building Ownership Certificates — Jin Fang Quan 01 Zi Di No. 00303739, 00303740 and 00303741) are subject to mortgages as securities in favor of Jinzhou Bank Yongfeng Sub-branch for bank loan at the maximum amount of RMB6,000,000 with the mortgage term from May 8, 2012 to May 7, 2014.
c) Environmental Issue	:	No environmental study has been carried out.
d) Details of investigations, notices, pending litigation, breaches of law or title defects	:	For the land with a total site area of approximately 136,772.5 sq.m., Jinzhou Maoshan Anling has not obtained the Land Use Rights Certificates by way of land granting.
e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Group, further development for cemetery will be carried out on the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 January 2012 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 3, 2013. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and every certificates for shares shall be signed autographically by one Director, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than six.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid-up or credited as paid-up on a share in advance of calls or installments is treated for the foregoing purpose as paid-up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid-up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid-up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid-up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid-up on the shares in respect whereof the dividend is paid, although no amount paid-up on a share in advance of calls shall for this purpose be treated as paid-up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid-up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid-up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid-up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid-up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid-up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid-up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 5 January 2012 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorized in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from June 25, 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisor on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

We were incorporated in the Cayman Islands with limited liability under the Companies Act on January 5, 2012. We have established a place of business in Hong Kong at 8/F, Yue Hing Building, 103 Hennessy Road, Wan Chai, Hong Kong and registered on October 18, 2013 as a non-Hong Kong company under Part XI of the Companies Ordinance under the same address. Wong Wai Ling has been appointed as our agent for the acceptance of service of process and notices under the same address. As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum and Articles of Association and certain relevant aspects of the Companies Act are set out in Appendix IV to this prospectus.

2. Changes in share capital

As of the date of our incorporation, our authorized share capital was US$50,000 divided into 50,000 Shares of par value of US$1 each. The following sets out the changes in our share capital within the two years preceding the date of this prospectus:

(i) on January 5, 2012, our Company issued and allotted one Share to the initial subscriber Offshore Incorporations (Cayman) Limited at US$1 per Share and such one Share was transferred to Treasure Bridge on the same day;

(ii) on July 9, 2013, the par value of our Shares was sub-divided from US$1 per Share to US$0.01 per Share, and as a result, the authorized share capital and total issued share capital of our Company increased to 5,000,000 Shares and 100 Shares of par value of US$0.01 each, respectively;

(iii) on July 9, 2013, an additional 9,900 Shares were allotted and issued to Treasure Bridge for cash consideration of US$9,900, which were credited as fully paid. As a result, Treasure Bridge held an aggregate of 10,000 Shares in our Company;

(iv) on July 9, 2013, Treasure Bridge transferred a total of 2,483.7 Shares to the Group Direct Individual Shareholders, at the consideration of US$0.01 per Share;

(v) pursuant to the resolutions in writing of all our Shareholders passed on July 9, 2013, the authorized share capital of our Company was increased from 5,000,000 Shares to 20,000,000,000 Shares with par value of US$0.01 each by the creation of an additional 19,995,000,000 Shares; and

(vi) on August 19, 2013, Treasure Bridge transferred 32.2%, 35% and 7.963% of the issued share capital of our company to Chief Union, FSG Holding and Double Riches respectively, for the considerations of US$32.2, US$35, US$7.963, respectively.

Immediately following the Capitalization Issue and the completion of the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme, the issued share capital of our Company will be US$20,000,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed in this Appendix, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

3. Written Resolutions of our Shareholders

Pursuant to the written resolutions passed by our Shareholders on December 3, 2013:

(i) our Company approved and adopted its new Memorandum and Articles of Association with effect from the Listing Date;

(ii) conditional upon the conditions for completion of the Global Offering being fulfilled:

  (a) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;

  (b) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(iii) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 1,499,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on the day immediately preceding the Listing Date (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalization of the sum of US$14,999,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares (i.e. the Capitalization Issue);

(iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:

  (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalization Issue and the Global Offering (excluding Shares which may be allotted and issued under the Over-allotment Option and options to be granted under the Share Option Scheme); and

(b) the aggregate nominal amount of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (vi) below.

Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held by our Company's Memorandum and Articles of Association, the Companies Act or other applicable laws of the Cayman Islands; and

— when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first;

(v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued under the Over-allotment Option and options to be granted under the Share Option Scheme):

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

— at the conclusion of the next annual general meeting of our Company;

— at the end of the period within which the next annual general meeting of our Company is required to be held by our Company's Memorandum and Articles of Association, the Companies Act or other applicable laws of the Cayman Islands; and

— when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company;

whichever occurs first.

4. Details of subsidiaries and entities owned by our Group

The following table sets out the details of all subsidiaries and entities owned by our Group as of the Latest Practicable Date:

Company	Date of establishment	Registered capital as of the Latest Practicable Date	Principal Business Activities
1. Shanghai FSY Industry Development	February 21, 1994	RMB30 million	Provision of burial services
2. Chongqing Anle Services	September 11, 1997	RMB1 million	Provision of funeral services
3. Shandong FSY Development	December 29, 2001	RMB10 million	Provision of burial services
4. Hefei Dashushan Co	February 22, 2002	RMB10 million	Provision of burial services
5. Shanghai FSY Corporate Management Consultancy	September 9, 2002	RMB5 million	Provision of consulting services relating to burial and cemetery maintenance
6. Chongqing Anle Funeral Services	January 23, 2003	RMB1 million	Provision of funeral services
7. Henan FSY Industrial	July 7, 2003	RMB30.12 million	Provision of burial services
8. Jinzhou Maoshan Anling	January 7, 2004	RMB8 million	Provision of burial services
9. Shanghai Nanyuan	January 25, 2007	RMB50 million	Provision of burial services
10. Hefei Renben	September 27, 2008	RMB1.2 million	Provision of funeral services
11. Nanchang Hongfu	November 17, 2009	RMB90 million	Sale of funeral and coffin furnishings and burial plots
12. Hefei Huazhijian	May 13, 2010	RMB0.5 million	Provision of flowers and related designing services
13. Chongqing FSY Consultancy	August 9, 2010	RMB10 million	Investment holding
14. Chongqing FSY LLP	November 10, 2010	US$500 million	Investment holding
15. Chongqing FSY Industrial	January 18, 2011	RMB221.9 million	Investment holding

Company	Date of establishment	Registered capital as of the Latest Practicable Date	Principal Business Activities
16. Fumao	January 27, 2011	RMB5 million	Investment holding
17. Shanghai FSY Funeral Arrangement Services	May 17, 2011	RMB0.5 million	Provision of funeral services
18. FSY Hong Kong	October 10, 2011	HK$0.01 million	Investment holding
19. Chongqing Fuyuan	January 20, 2012	US$1 million	Investment holding
20. Anhui Zhongfude	November 20, 2012	RMB30 million	Manufacturing of cremation devices
21. Xiamen Huaixiang	December 31, 2012	RMB5 million	Provision of funeral services
22. Ningbo Yongyi	January 9, 2013	RMB1 million	Provision of funeral services
23. Shanghai Zhongdefu	March 21, 2013	RMB10 million	Sales and after-sales services of cremation devices
24. Shanghai Senfu	July 2, 2013	RMB1.6 million	Vegetable and fruit planting

5. Changes in share capital of the subsidiaries of our Group

Our subsidiaries are referred to in the accountant's report as set out in Appendix I. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus:

(i) On December 28, 2011, the registered capital of Chongqing FSY Industrial was increased from RMB54.3 million to RMB221.9 million.

(ii) Chongqing Fuyuan was established as a limited liability company under the laws of the PRC on January 20, 2012 with a registered capital of US$1 million.

(iii) Anhui Zhongfude was established as a limited liability company under the laws of the PRC on November 20, 2012 with a registered capital of RMB30 million.

(iv) On December 16, 2012, the registered capital of Nanchang Hongfu was increased from RMB20 million to RMB90 million.

(v) Xiamen Huaixiang was established as a limited liability company under the laws of the PRC on December 31, 2012 with a registered capital of RMB5 million.

(vi) Ningbo Yongyi was established as a limited liability company under the laws of the PRC on January 9, 2013 with a registered capital of RMB1 million.

(vii) Shanghai Zhongdefu was established as a limited liability company under the laws of the PRC on March 21, 2013 with a registered capital of RMB10 million.

(viii) Shanghai Senfu was established as a limited liability company under the laws of the PRC on July 2, 2013 with a registered capital of RMB1.6 million.

Save as described above, there has been no other alteration in the share capital of the subsidiaries of our Company in the two years preceding the date of this prospectus.

6. Reorganization

The members of our Group underwent the Reorganization to rationalize the business and the structure of our Group in anticipation of the Global Offering. See "History and Reorganization" of this prospectus for details on the steps involved in the Reorganization.

7. Repurchases of our own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(i) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, and the key restrictions are summarized below:

(a) Shareholders' approval

All the proposed repurchases of Shares (which must be fully paid-up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases by our Company must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own 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.

(c) Trading restrictions

The total number of Shares which our Company may repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing issued share capital. The Shares proposed to be repurchased must be fully paid-up. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, other than an issue of securities pursuant to an exercise of share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. Also, our Company shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

The controlling shareholder shall not or shall procure not to dispose of its Shares in the six-months period commencing from the Listing Date. No further Shares or securities convertible into equity securities of our Company may be issued or form the subject of any agreement to such an issue within six months from the Listing Date unless such an issue falls within one of the exceptions under the Listing Rules.

(d) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those Shares must be cancelled and destroyed.

(e) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase our Shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

(f) Reporting requirements

In the event that our Directors exercise the power to repurchase Shares under the Repurchase Mandate, under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form no later than 8:30

a.m. (Hong Kong time) on the following business day. In addition, our Company is required to disclose in our annual report details regarding repurchases of securities made during the year, including but not limited to, in respect of each month, the number of securities repurchased and the aggregate prices paid.

(g) Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholders of our Company or any of its subsidiaries or their associates and a connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

(ii) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders to have a general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net assets and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(iii) General

The exercise in full of the Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue immediately following completion of the Global Offering, would result in up to 200,000,000 Shares being repurchased by our Company during the period prior to the next annual general meeting of our Company following the passing of the resolutions referred to above.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors has undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(1) the loan extension agreement dated March 2, 2012 between Chongqing Anle Services and Jinfu Waitan, pursuant to which, among other things, the repayment date for the RMB7 million loan advanced to Jinfu Waitan by Chongqing Anle Service was changed from March 2, 2012 to September 2, 2012;

(2) the loan extension agreement dated March 2, 2012 between Chongqing Anle Funeral Services and Jinfu Waitan, pursuant to which, among other things, the repayment date for the RMB7 million loan advanced to Jinfu Waitan by Chongqing Anle Funeral Service was changed from March 2, 2012 to September 2, 2012;

(3) the equity transfer agreement dated March 21, 2012, entered into between Qiu Zhenda and Chongqing Fuyuan, pursuant to which Qiu Zhenda transferred his 100% shareholding in Fumao to Chongqing Fuyuan for a consideration of RMB5 million;

(4) the asset transfer agreement dated April 19, 2012, entered into between FSY Hong Kong, Chongqing FSY Corporate Management Consultancy, Zhang Shiyao and Fumao, pursuant to which Zhang Shiyao transferred all his interest in Chongqing FSY LLP (being 1% equity interest in Chongqing FSY LLP) to Fumao;

(5) the equity transfer agreement dated May 6, 2012, entered into between Chongqing FSY Industrial and Zhao Limin, pursuant to which Zhao Limin transferred his 50.1% interest in Jinzhou Maoshan Anling to Chongqing FSY Industrial for a consideration of RMB60 million;

(6) the equity transfer agreement dated May 25, 2012, entered into between Chongqing FSY Industrial and Zhao Limin, pursuant to which Zhao Limin transferred his 34.17% interest in Jinzhou Maoshan Anling to Chongqing FSY Industrial for a consideration of RMB10 million;

(7) the working capital loan agreement dated August 26, 2012 between Chongqing Zhonghan Xinye and Chongqing Anle Services, pursuant to which, among other things, Chongqing Zhonghan Xinye agreed to advance a sum of RMB7 million to Chongqing Anle Services at an interest rate of 18% per annum;

(8) the loan agreement dated August 26, 2012 between Chongqing Anle Services and Jinfu Waitan, pursuant to which, among other things, Chongqing Anle Services agreed to advance a sum of RMB7 million to Jinfu Waitan at an interest rate of 18% per annum;

(9) the equity transfer agreement dated October 29, 2012, entered into between Shanghai FSY Funeral Arrangement Services and Fumao, pursuant to which Fumao transferred its 10% interest in Shanghai FSY Corporate Management Consultancy to Shanghai FSY Funeral Arrangement Services for a consideration of RMB0.5 million;

(10) the equity transfer agreement dated December 14, 2012, entered into between Zhang Yin (張印) and Shanghai FSY Industry Development, pursuant to which Zhang Yin transferred his 10.2922% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB3,888,164;

(11) the equity transfer agreement dated December 14, 2012, entered into between Yuan Xuezhong (袁學忠) and Shanghai FSY Industry Development, pursuant to which Yuan Xuezhong transferred his 3.3201% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB1,254,260;

(12) the equity transfer agreement dated December 14, 2012, entered into between Lei Ming (雷鳴) and Shanghai FSY Industry Development, pursuant to which Lei Ming transferred his 2.3241% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB877,993;

(13) the equity transfer agreement dated December 14, 2012, entered into between Fan Yuping (樊玉萍) and Shanghai FSY Industry Development, pursuant to which Fan Yuping transferred her 1.328% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB501,689;

(14) the equity transfer agreement dated December 14, 2012, entered into between Guo Hui (郭惠) and Shanghai FSY Industry Development, pursuant to which Guo Hui transferred her 4.6481% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB1,755,949;

(15) the equity transfer agreement dated December 14, 2012, entered into between Guo Lan (郭蘭) and Shanghai FSY Industry Development, pursuant to which Guo Lan transferred his 3.6521% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB1,379,682;

(16) the equity transfer agreement dated December 16, 2012, entered into between Ji Honghua (冀洪華) and Shanghai FSY Industry Development, pursuant to which Ji Honghua transferred his 1.66% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB627,111;

(17) the equity transfer agreement dated December 16, 2012, entered into between Guo Tuling (郭士嶺) and Shanghai FSY Industry Development, pursuant to which Guo Tuling transferred his 17.7623% interests in Henan FSY Industrial to Shanghai FSY Industry Development for the consideration of RMB6,710,202;

(18) the equity transfer agreement dated January 10, 2013, entered into between Chongqing FSY Industrial and Zhao Limin, pursuant to which Zhao Limin transferred his 15.73% interest in Jinzhou Maoshan Anling to Chongqing FSY Industrial for a consideration of RMB11 million;

(19) the instrument of transfer dated July 9, 2013 executed by our Company and Fulechuan, pursuant to which our Company transferred 100 shares of Chief Union to Fulechuan for the consideration of US$100;

(20) the loan agreement dated January 1, 2013 between Jiangxi Guoding and Nanchang Hongfu, pursuant to which, among other things, Nanchang Hongfu agreed to advance a sum of RMB38 million to Jiangxi Guoding;

(21) the deed of indemnity dated December 3, 2013 given by FSG Holding and Chief Union in favor of our Company (for itself and as trustee for each of our subsidiaries) in respect of, amongst others, taxation and property matters referred to in the sub-section headed "Tax and other indemnities" in this Appendix;

(22) the Deed of Non-competition dated December 3, 2013 given by FSG Holding and Chief Union in favor of our Company referred to in the sub-section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in this prospectus;

(23) the cornerstone investment agreement dated December 5, 2013 and entered into among our Company, the Sole Global Coordinator and Green Heaven Investment Holdings Limited, in respect of the subscription of the Offer Shares by Green Heaven Investment Holdings Limited, which shall be equal to US$25.0 million, as detailed in the section headed "Cornerstone Investors" in this prospectus;

(24) the cornerstone investment agreement dated December 4, 2013 and entered into among our Company, the Sole Global Coordinator and Cinda International Asset Management Limited, in respect of the subscription of the Offer Shares by Cinda International Asset Management Limited, which shall be equal to US$2.5 million, as detailed in the section headed "Cornerstone Investors" in this prospectus;

(25) the cornerstone investment agreement dated December 4, 2013 and entered into among our Company, the Sole Global Coordinator and China Cinda (HK) Asset Management Co., Ltd., in respect of the subscription of the Offer Shares by China Cinda (HK) Asset Management Co., Ltd., which shall be equal to US$7.5 million, as detailed in the section headed "Cornerstone Investors" in this prospectus;

(26) the cornerstone investment agreement dated December 2, 2013 and entered into among our Company, the Sole Global Coordinator, Dazbog Holdings AFC Limited, Dazbog Holdings BFC Limited, Dazbog Holdings CFC Limited, Dazbog Holdings EFC Limited, Dazbog Holdings HFC Limited, Dazbog Holdings MFC Limited and Dazbog Holdings VFC Limited, in respect of the subscription of the Offer Shares by Dazbog Holdings AFC Limited, Dazbog Holdings BFC Limited, Dazbog Holdings CFC Limited, Dazbog Holdings EFC Limited, Dazbog Holdings HFC Limited, Dazbog Holdings MFC Limited and Dazbog Holdings VFC Limited, which shall be equal to US$10.0 million in aggregate, as detailed in the section headed "Cornerstone Investors" in this prospectus; and

(27) the Hong Kong Underwriting Agreement.

2. Licenses and Permits

The table below set forth details of our material licenses and permits and their respective compliance status:

	Name of subsidiary which license/permit concerns	Nature of license/ permit	Issued by	Date of issuance	Expiry date	Compliance status
1	Chongqing FSY Consultancy	Approval to provide funeral services	Administration of Civil Affairs of Yu Zhong District Chongqing	August 3, 2010	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
2	Chongqing FSY Industrial	Approval for establishment of Chongqing FSY Industrial	Chongqing Administration of Civil Affairs	November 30, 2010	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
3	Shanghai FSY Industry Development	License of Funeral Services	Shanghai Administration of Civil Affairs	October 15, 2003	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
4	Shandong FSY Development	Approval for establishment of Shandong FSY Cultural Cemetery; Certificate of Cemetery Compliance; Certificate of Commercial Cemetery	Administration of Civil Affairs of Shandong Province	April 22, 2004; April 13, 2006; December 18, 2009, renewed on October 17, 2013	N/A; N/A; December 17, 2012	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
5	Jin Zhou Maoshan Anling	License of Commercial Cemetery; Certificate of Cemetery Compliance	Jin Zhou Administration of Civil Affairs	December 29, 2003; March 5, 2013	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
6	Hefei Dashushan Co	Certificate of Commercial Cemetery	Administration of Civil Affairs of Anhui Province	April 6, 2012	April 6, 2014	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC

	Name of subsidiary which license/permit concerns	Nature of license/ permit	Issued by	Date of issuance	Expiry date	Compliance status
7	Henan FSY Industrial	License of Operation of Cemetery	Administration of Civil Affairs of Henan Province	March 1, 2013	February 28, 2014	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
8	Shanghai Nanyuan	Certificate of Funeral Services	Administration of Civil Affairs of Shanghai	November 6, 2007	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
9	Chongqing Anle Services	License of Funeral Services	Administration of Civil Affairs of Chongqing	May 1, 2013	June 2014	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
10	Shanghai FSY Corporate Management Consultancy	Approval to provide funeral services	Administration of Civil Affairs of Qingpu District Shanghai	August 24, 2005	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
11	Hefei Renben	Approval for establishment of Hefei Renben	Administration of Civil Affairs of Hefei	October 27, 2008	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
12	Chongqing Anle Funeral Services	Approval to allow the opening of Anle Tang; License of Funeral Services	Administration of Civil Affairs of Sha Ping Ba District Chongqing	November 19, 2002; June 2013	N/A; June 2014	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
13	Xiamen Huaixiang	Approval for the establishment of funeral services company	Administration of Civil Affairs of Xiamen	November 5, 2012	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC

	Name of subsidiary which license/permit concerns	Nature of license/ permit	Issued by	Date of issuance	Expiry date	Compliance status
14	Ningbo Yongyi	Approval to allow the operation of funeral services	Administration of Civil Affairs of Ningbo	September 18, 2012	December 30, 2013	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC
15	Nanchang Hongfu	Approval for the establishment of Nanchang Hongfu Memorial Garden	Administration of Civil Affairs of Jiangxi Province	December 18, 2012	N/A	As advised by our PRC legal advisors, it is in compliance with relevant laws and regulations of the PRC

3. Confirmation letters from relevant Environmental Protection Bureaus

We have consulted and obtained confirmation letters from the Environmental Protection Bureaus of Shanghai, Shandong, Hefei, Liaoning, Henan and Chongqing confirming that our Group has complied with all material environmental laws and regulations in the PRC, as follows:

Location of environmental protection bureaus	Applicant	Date of confirmation	Government department which issued the confirmation
Shanghai	Shanghai FSY Industry Development	July 24, 2013	Shanghai City Qingpu District Environmental Protection Bureau (上海市青浦區環境保護局)
Shanghai	Shanghai Nanyuan	June 17, 2013	Shanghai Pudong New District Environment Protection and City Sanitation Management Bureau (上海市浦東新區環境保護和市容衛生局)
Shandong	Shandong FSY Development	June 27, 2013	Jinan City Changqing District Environmental Protection Bureau (濟南市長清區環境保護局)
Hefei	Hefei Dashushan Co	June 6, 2013	Hefei City Environmental Protection Bureau High-tech Industrial Development Branch (合肥市環境保護局高新技術產業開發分局)
Liaoning	Jinzhou Maoshan Anling	June 5, 2013	Jinzhou City Guta District Environmental Protection Bureau (錦州市古塔區環境保護局)

Location of environmental protection bureaus	Applicant	Date of confirmation	Government department which issued the confirmation
Henan	Henan FSY Industrial	June 7, 2013	Xinzheng City Environmental Protection Bureau (新鄭市環境保護局)
Chongqing	Chongqing Anle Services	May 15, 2013	Chongqing City Yuzhong District Environmental Protection Bureau (重慶市渝中區環境保護局)
Chongqing	Chongqing Anle Funeral Services	May 15, 2013	Chongqing City Shapingba District Environmental Protection Bureau (重慶市沙坪壩區環境保護局)

4. Intellectual property rights

As of the Latest Practicable Date, our Group registered and had applied for the registration of the following intellectual property rights.

(i) Trademarks

As of the Latest Practicable Date, our Group was the owner of certain registered trademarks, details of which are as follows:

Trademark	Class	Registration number	Registration period	Name of registered owner	Territory of registration
福寿园	6	7596449	November 14, 2010 to November 13, 2020	Shanghai FSY Industry Development	PRC
福寿园	16	7512044	November 7, 2010 to November 6, 2020	Shanghai FSY Industry Development	PRC
福寿园	19	7511942	October 14, 2010 to October 13, 2020	Shanghai FSY Industry Development	PRC
福寿园	20	7596496	December 28, 2010 to December 27, 2020	Shanghai FSY Industry Development	PRC
福寿园	24	7596541	November 21, 2010 to November 20, 2020	Shanghai FSY Industry Development	PRC

Trademark	Class	Registration number	Registration period	Name of registered owner	Territory of registration
福寿园	26	7596508	November 21, 2010 to November 20, 2020	Shanghai FSY Industry Development	PRC
福寿园	36	7511994	November 7, 2010 to November 6, 2020	Shanghai FSY Industry Development	PRC
福寿园	39	7596555	September 7, 2011 to September 6, 2021	Shanghai FSY Industry Development	PRC
福寿园	41	7511979	April 28, 2011 to April 27, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	6	8707208	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	16	8707237	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	19	8707277	December 21, 2011 to December 20, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	20	8707287	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	24	8707368	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	26	8707389	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	36	8707411	November 7, 2011 to November 6, 2021	Shanghai FSY Industry Development	PRC

Trademark	Class	Registration number	Registration period	Name of registered owner	Territory of registration
FU SHOU YUAN	39	8707435	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	41	8707461	October 14, 2011 to October 13, 2021	Shanghai FSY Industry Development	PRC
FU SHOU YUAN	45	8711475	November 7, 2011 to November 6, 2021	Shanghai FSY Industry Development	PRC
	6	7596547	November 14, 2010 to November 13, 2020	Shanghai FSY Industry Development	PRC
	16	7512035	November 7, 2010 to November 6, 2020	Shanghai FSY Industry Development	PRC
	19	7511957	October 14, 2010 to October 13, 2020	Shanghai FSY Industry Development	PRC
	20	7596487	February 7, 2011 to February 6, 2020	Shanghai FSY Industry Development	PRC
	24	7596529	November 21, 2010 to November 20, 2020	Shanghai FSY Industry Development	PRC
	26	7596517	November 21, 2010 to November 20, 2020	Shanghai FSY Industry Development	PRC

Trademark	Class	Registration number	Registration period	Name of registered owner	Territory of registration
	35	7596588	December 14, 2010 to December 13, 2020	Shanghai FSY Industry Development	PRC
	36	7512005	November 7, 2010 to November 6, 2020	Shanghai FSY Industry Development	PRC
	39	7509381	December 21, 2010 to December 20, 2020	Shanghai FSY Industry Development	PRC
	41	7511973	December 14, 2010 to December 13, 2020	Shanghai FSY Industry Development	PRC
	45	3944641	December 7, 2006 to December 6, 2016	Shanghai FSY Industry Development	PRC
帽山公墓	45	4544702	October 7, 2008 to October 6, 2018	Jinzhou Maoshan Anling	PRC
	45	3087395	July 7, 2013 to July 6, 2023	Chongqing Anle Services	PRC
安乐堂	35	6714389	February 7, 2011 to February 6, 2021	Chongqing Anle Services	PRC
安乐堂	45	6714390	May 14, 2010 to May 13, 2020	Chongqing Anle Services	PRC

As at the Latest Practicable Date, our Group had filed applications for registration of trademarks, details of which are as follows:

Intended trademark	Class	Name of applicant	Application number	Application date	Territory of application
	16	Shanghai FSY Industry Development	11614956	October 17, 2012	PRC
	35	Shanghai FSY Industry Development	11615112	October 17, 2012	PRC
	41	Shanghai FSY Industry Development	11615189	October 17, 2012	PRC
	45	Shanghai FSY Industry Development	11615496	October 17, 2012	PRC
	16	Shanghai FSY Industry Development	11614927	October 17, 2012	PRC
	35	Shanghai FSY Industry Development	11615086	October 17, 2012	PRC
	41	Shanghai FSY Industry Development	11615177	October 17, 2012	PRC
	45	Shanghai FSY Industry Development	11615300	October 17, 2012	PRC
白事天使	45	Shanghai FSY Funeral Arrangement Services	11946965	December 25, 2012	PRC
	45	Hefei Renben	12233442	March 7, 2013	PRC
白事热线	45	Hefei Renben	12233427	March 7, 2013	PRC

Intended trademark	Class	Name of applicant	Application number	Application date	Territory of application
福寿园 FU SHOU YUAN 福寿园 FU SHOU YUAN 福寿园 FU SHOU YUAN 福寿园 FU SHOU YUAN	6, 16, 19, 20, 24, 26, 31, 35, 36, 37, 39, 41, 44, 45	FSY Hong Kong	302632798	June 7, 2013	Hong Kong
	6, 16, 19, 20, 24, 26, 31, 35, 36, 37, 39, 41, 44, 45	FSY Hong Kong	302632806	June 7, 2013	Hong Kong
福寿园 福寿园 福壽園 福寿园	6, 16, 19, 20, 24, 26, 31, 35, 36, 37, 39, 41, 44, 45	FSY Hong Kong	302632815	June 7, 2013	Hong Kong
FU SHOU YUAN FU SHOU YUAN **FU SHOU YUAN** **Fu Shou Yuan**	6, 16, 19, 20, 24, 26, 31, 35, 36, 37, 39, 41, 44, 45	FSY Hong Kong	302632824	June 7, 2013	Hong Kong

(ii) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names:

Registrant	Domain name	Territory of registration	Date of registration	Expiry date
Shanghai FSY Industry Development	www.shfsy.com	PRC	April 6, 2011	April 6, 2020
Shanghai FSY Industry Development	www.shfsy.net	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.shfsy.com.cn	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.shfsy.mobi	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.fsygroup.com	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.fsygroup.cn	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.fsypark.cn	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.fsypark.com	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.fsypark.net	PRC	May 19, 2011	May 19, 2021
Shanghai FSY Industry Development	www.rwjnbwg.com	PRC	August 5, 2010	August 5, 2015
Shanghai FSY Industry Development	www.rwjn.org	PRC	August 5, 2010	August 5, 2015
Shanghai FSY Industry Development	www.rwjn.cn	PRC	August 5, 2010	August 5, 2015
Shandong FSY Development	www.sdfsy.com	PRC	February 11, 2006	February 11, 2016
Henan FSY Industrial	www.henanfsy.com	PRC	May 10, 2009	May 10, 2014
Henan FSY Industrial	www.福壽園.com	PRC	December 13, 2011	December 13, 2013
Chongqing Anle Services	www.cqfsy.com	PRC	July 31, 2011	July 31, 2020

Registrant	Domain name	Territory of registration	Date of registration	Expiry date
Chongqing Anle Services	www.cqfsy.cn	PRC	April 23, 2011	April 23, 2020
Chongqing Anle Services	www.cqfsy.com.cn	PRC	April 23, 2011	April 23, 2020
Chongqing Anle Services	www.cqfsy.net	PRC	April 23, 2011	April 23, 2020
Chongqing Anle Services	www.fsy.hk	PRC	April 25, 2011	April 25, 2020
Chongqing Anle Services	www.shfsy.hk	PRC	November 1, 2011	November 1, 2020
Chongqing Anle Services	www.cqalt.com	PRC	August 14, 2006	August 14, 2019
Chongqing Anle Services	www.cqalt.cn	PRC	April 5, 2011	April 5, 2016
Chongqing Anle Services	www.cqalt.com.cn	PRC	February 1, 2010	February 1, 2016
Jinzhou Maoshan Anling	www.msal.cn	PRC	August 30, 2004	August 30, 2014
Shanghai Nanyuan	www.fsyhgly.com	PRC	November 17, 2008	November 17, 2014
Shanghai FSY Funeral Arrangement Services	www.fslylife.com	PRC	September 4, 2011	September 4, 2021
Shanghai FSY Funeral Arrangement Services	www.fslylife.com.cn	PRC	October 18, 2011	October 18, 2021
Shanghai FSY Funeral Arrangement Services	www.whiteangels.com.cn	PRC	June 20, 2012	June 20, 2022
Hefei Dashushan Co	www.dashushan.com	PRC	May 20, 2004	May 20, 2016
Hefei Dashushan Co	www.hfwhly.com	PRC	May 20, 2004	May 20, 2014
Hefei Renben	www.962444.cn	PRC	July 11, 2012	July 11, 2017
Hefei Huazhijian	www.inflowers.cn	PRC	November 22, 2012	November 22, 2017

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering and the Capitalization Issue (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme), the interest or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

Interest in the Shares of our Company

Name of Director	Nature of interest	Number and class of securities[(1)]	Approximate percentage of interest in our Company immediately after the Capitalization Issue and the Global Offering[(2)]
Bai Xiaojiang[(3)]	Interest in a controlled corporation	96,600,000 Shares (L)	4.83%
Wang Jisheng[(4)]	Interest in a controlled corporation	96,600,000 Shares (L)	4.83%
Lu Hesheng[(5)]	Interest in a controlled corporation	27,600,000 Shares (L)	1.38%

Notes:

(1) The letters "L" denotes the person's long position in such Shares.

(2) Assuming the Over-allotment Option is not exercised.

(3) Bai Xiaojiang is interested in the entire issued share capital of Wish and Catch, which in turn is interested in approximately 4.83% of the issued share capital of our Company.

(4) Wang Jisheng is interested in the entire issued share capital of Peaceful Field, which in turn is interested in approximately 4.83% of the issued share capital of our Company.

(5) Lu Hesheng is interested in the entire issued share capital of Grand Fire, which in turn is interested in approximately 1.38% of the issued share capital of our Company.

2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option), the following persons (who is neither our Director nor chief executive) will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity	Number of Shares held immediately after the Capitalization Issue and the Global Offering	Approximate percentage of interest in our Company immediately after the Capitalization Issue and the Global Offering
FSG Holding	Beneficial owner	525,000,000	26.250%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")(1)	Interest in controlled corporations	525,000,000	26.250%
Chief Union	Beneficial owner	483,000,000	24.150%
Fulechuan(2)	Interest in a controlled corporation	483,000,000	24.150%
Zhongfu(3)	Interest in a controlled corporation	483,000,000	24.150%
Hongfu(4)	Interest in a controlled corporation	483,000,000	24.150%
NGO 1(5)	Interest in a controlled corporation	483,000,000	24.150%
NGO 2(6)	Interest in a controlled corporation	483,000,000	24.150%
Double Riches	Beneficial owner	119,445,000	5.972%
Ge Qiansong(7)	Interest in a controlled corporation	119,445,000	5.972%

Notes:

(1) Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Accordingly, Mr. Tan is deemed or taken to be interested in approximately 26.250% of the issued share capital of our Company in which FSG Holding is interested in.

(2) Chief Union is a direct wholly-owned subsidiary of Fulechuan and Fulechuan will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(3) Fulechuan is a direct wholly-owned subsidiary of Zhongfu and Zhongfu will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(4) Zhongfu is a direct wholly-owned subsidiary of Hongfu and Hongfu will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(5) Hongfu is owned by NGO 1 as to 50% and NGO 1 will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(6) Hongfu is owned by NGO 2 as to 50% and NGO 2 will be deemed or taken to be interested in approximately 24.150% of the issued share capital of our Company in which Chief Union is interested in.

(7) Ge Qiansong is interested in approximately 34.66% of the issued share capital of Double Riches and therefore Ge Qiansong will be deemed or taken to be interested in approximately 5.972% of the issued share capital of our Company in which Double Riches is interested in.

3. Particulars of Directors' service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company on December 3, 2013 for a term of three years commencing from the Listing Date, and such service agreement may be terminated in accordance with the terms of the service agreements.

Each of our non-executive and independent non-executive Directors was appointed to our Board pursuant to the respective letters of appointment dated December 3, 2013, for an initial term of three year commencing from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than agreements expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. Directors' remuneration

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors for each of the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB542,000, RMB678,000, RMB678,000 and RMB348,000, respectively.

It is estimated that the aggregate remuneration of our Directors, that is equivalent to approximately RMB696,000 will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2013 under arrangements in force as of the date of this prospectus.

5. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

D. DISCLAIMERS

Save as disclosed in this prospectus:

(i) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed;

(ii) none of our Directors nor any of the parties listed in the paragraph headed "Consents" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors nor any of the parties listed in the paragraph headed "Consents" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(iv) save for the underwriting agreements, none of the parties listed in the paragraph headed "Consents" in this Appendix:

(a) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

(b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for our securities;

(v) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(vi) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(vii) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(viii) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(ix) we have no outstanding convertible debt securities;

(x) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(xi) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company; and

(xii) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given.

E. PRE-IPO SHARE OPTION SCHEME

1. Summary of Terms

The purpose of the Pre-IPO Share Option Scheme is to provide Eligible Participants (as defined below) an opportunity to have a personal stake in our Company and help motivate the Eligible Participants to optimize their performance and efficiency for the benefit of our Group, and reward any individual who is in the opinion of the Board has contributed or will contribute to the growth and development of our Group. The principal terms of the Pre-IPO Share Option Scheme, which was adopted by us on March 10, 2013, are substantially the same as the terms of the Share Option Scheme except that:

(a) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 100,000,000 Shares representing approximately 5.0% of the enlarged issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and any options that have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme have not been exercised);

(b) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

Exercise period	Maximum percentage of Shares underlying the options exercisable
On or after August 8, 2015	50% of the total number of Shares underlying the options granted
On or after August 8, 2016	50% of the total number of Shares underlying the options granted

(c) save for the options which have been granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and

(d) each option granted under the Pre-IPO Share Option Scheme has a four-year exercise period.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

2. Outstanding Options Granted

As at the date of this prospectus, options to subscribe to an aggregate of 57,613,169 Shares (representing approximately 2.8% of the total issued share capital of our Company immediately following completion of the Capitalization Issue and the Global Offering as enlarged by the allotment and issue of Shares upon the exercise of all such options (assuming that the Over-allotment Option is not exercised and not taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme of our Company) at an exercise price of RMB0.9, which equal to a 63.4% discount to the Offer Price, being the mid-point of the Offer Price range stated in this prospectus, have been conditionally granted to 199 participants by our Company at the consideration of HK$1.00 under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on August 8, 2013 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

The options have been conditionally granted based on the performance of the grantees who have made important contributions and are important to the long term growth and profitability of our Group. A total of two Directors, seven members of the senior management of our Group (excluding the member of the senior management of our Group who is also a Director receiving options), and 190 other employees have been conditionally granted options under the Pre-IPO Share Option Scheme.

A list of such grantees containing the details in respect of each option required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance is set out below. We have applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules, and to the SFC for a certificate of an exemption pursuant to section 342A(1) of the Companies Ordinance from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, in connection with the information of the options granted under the Pre-IPO Share Option Scheme on the ground that full compliance with such disclosure requirements in setting out the names and addresses of, and the number of Shares represented by options granted under the Pre-IPO Share Option Scheme to, the employees of our Group and who are not (i) our Directors, (ii) our senior management, (iii) our connected persons, or (iv) granted with options to subscribe for 0.015% or more of our total enlarged issued capital, would be unduly burdensome for our Company. The Stock Exchange has granted us a waiver, and the SFC has issued us a certificate of an exemption pursuant to section 342A(1) of the

Companies Ordinance, from strict compliance with the relevant disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, respectively, in connection with the information of the options granted under the Pre-IPO Share Option Scheme. For details, see "Waivers and Exemption from Strict Compliance with the Listing Rules and the Companies Ordinance — Pre-IPO Share Option Scheme" of this prospectus.

No.	Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option
	Directors			
1.	Bai Xiaojiang	Room 208 No. 116 Wanping Road Shanghai PRC	3,453,452	0.168%
2.	Wang Jisheng	No. 308 Lane 800 Gaojing Road Qingpu District Shanghai PRC	3,453,452	0.168%
		Sub-total	6,906,904	0.336%
	Senior Management			
1.	Ge Qiansong	Room 1203, No. 18 Alley 8 South Xinzhou Road Xuhui District Shanghai PRC	2,877,877	0.140%
2.	Yi Hua	Room 1706, No. 61 Alley 232, Tongxin Road Hongkou District Shanghai PRC	2,877,877	0.140%
3.	Tan Li Kang	Room 301, Block A No. 77 Fenyang Road Xuhui District Shanghai PRC	2,302,301	0.110%
4.	Wu Yibo	3A, No. 1, Lane 999 Guangzhong West Road Shanghai, PRC	1,343,009	0.065%

No.	Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option
5.	Zhao Yu	Room 604, No. 3, Lane 1647, Zhangyang Road, Pudong New District, Shanghai, PRC	1,304,637	0.063%
6.	Xu Yong	No. 166, Lane 999, Huajing Road, Xuhui District, Shanghai, PRC	690,690	0.034%
7.	Li Heguo	No. 21012101, Building 7, Yanjing Dong Li, Chaoyang District, Beijing, PRC	479,646	0.023%
		Sub-total	11,876,037	0.577%

Employees other than Directors and our senior management who were granted with such number of options that the total number of Shares underlying such options represents approximately 0.015% or more of the our enlarged total issued share capital after full exercise of the Pre-IPO Share Option

No.	Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option
1.	Wang Qiong	Room 802, Block C, Bai Lu Yuan, Mei Shan Road, Shushan District, Hefei, PRC	1,151,151	0.056%
2.	Qiu Zhenda	Room 101, No. 618, Longcao Road, Xuhui District, Shanghai, PRC	959,292	0.047%
3.	Lv Xiaoping	Room 1407, No. 1, Lane 237, Changning Branch Road, Changning District, Shanghai, PRC	959,292	0.047%
4.	Gu Wenjun	Room 202, No. 27, Lane 555, Gangyu Road, Qingpu District, Shanghai, PRC	959,292	0.047%
5.	Shao Xiangshu	Room 203, No. 33 Baogang Yicun, Baoshan District, Shanghai, PRC	959,292	0.047%

No.	Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option
6.	Wu Zhengzong	Room 401, No. 50, Lane 888 Wen Cheng Road, Songjiang District, Shanghai, PRC	959,292	0.047%
7.	Zhang Keqing	No. 89, Lane 227, Xuchang Road, Yangpu District, Shanghai, PRC	920,920	0.045%
8.	Yang Xiawen	Room 803, No. 11, Lane 1162, Tianyaoqiao Road, Shanghai, PRC	863,363	0.042%
9.	Fan Jun	Room 401, No.8, Lane 610, Huaqing South Road, Qingpu District, Shanghai, PRC	805,805	0.039%
10.	Jin Leiyi	Room 401, No.50, Lane 888, Wencheng Road, Songjiang District, Shanghai, PRC	729,062	0.035%
11.	Zhang Shiyao	Room 602, No. 8, Lane 777, Zhongshan South 2nd Road, Shanghai, PRC	690,690	0.034%
12.	Sun Hao	Room 1702, No. 11, Lane 99, Huangqing South Road, Qingpu District, Shanghai, PRC	690,690	0.034%
13.	Huang Jun	Room 404, No. 2, No. 318 Fu Yang Bei Road, Hefei, PRC	671,505	0.033%
14.	Zhu Wenjun	Room 605, Building 23, Provincial Department of Construction Dormitory, Huancheng South Road, Luyang District, Hefei, Anhui province, PRC	671,505	0.033%
15.	Wang Songyin	No. 399, No. 7270 Waiqingsong Highway, Qingpu District, Shanghai, PRC	652,319	0.032%
16.	Ding Weigang	36-301 Jindi , Lane 5599, Huqingping Highway, Qingpu District, Shanghai, PRC	613,947	0.030%

No.	Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option
17.	Zheng Jianping	Room 1511, No. 1, Lane 455, Zhizaoju Road, Shanghai, PRC	575,575	0.028%
18.	Mei Jun	Room 206, No. 9, Shi Ji Jia Yuan, Hao Zhou Road Bridge, Hefei, PRC	575,575	0.028%
19.	Wu Hua	Room 602, No. 10, Lane 315, Longhua West Road, Xuhui District, Shanghai, PRC	575,575	0.028%
20.	Cheng Lihua	Room 903, No. 1, Lane 111, Caodong Branch Road, Xuhui District, Shanghai, PRC	575,575	0.028%
21.	Chen Lvyuan	Room 602, No. 9, Lane 6048, Waiqingsong Highway, Qingpu District, Shanghai, PRC	575,575	0.028%
22.	Tian Yusheng	No. 1105, FuChang Pavilion, Cangqian Jinfu Court, No. 2028 Nanxin Road, Nanshan District, Shenzhen City, Guangdong Province, PRC	537,204	0.026%
23.	Wu Hui	Room101, No. 2, Lane 2179, Pudong South Road, Shanghai, PRC	479,646	0.023%
24.	Yin Huaqiang	Room 102, No.9, Lane 3881, Shangnan Road, Pudong New District, Shanghai, PRC	422,089	0.021%
25.	Wen Sijia	Aoyuanyadiantiankong 13-2-5-1, No. 100, Jintong Road, New North Zone, Chongqing, PRC	422,089	0.021%
26.	Li Zigeng	Room 702, No. 1, Lane 333, Ruijin South Road, Luwan District, Shanghai, PRC	383,717	0.019%

No.	Grantee and Position	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Option
27.	Dai Qiong	No. 4-5, Block 1, No. 89 Kecheng Road, Jiulongpo District, Chongqing, PRC	364,531	0.018%
28.	Ding Xiaoshan	Zhaoshangjiangwancheng 14-1-13-3, No. 363 Beibing 1st Road, Jiangbei District, Chongqing, PRC	306,973	0.015%
29.	Zhang Rui	Room 502, No. 4, Lane 805, Songhong Road, Changning District, Shanghai, PRC	306,973	0.015%
		Sub-total	19,358,516	0.941%
	Other grantees			
1.	161 other employees		19,471,712	0.946%
		TOTAL	57,613,169	2.800%

Note:

(1) Assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised.

Except for the grantees set out above, none of the grantees under the Pre-IPO Share Option Scheme is a connected person of our Group as defined under the Listing Rules.

The options issued under the Pre-IPO Share Option Scheme represent approximately 2.8% of the total issued share capital of our Company immediately following completion of the Capitalization Issue and the Global Offering as enlarged by the allotment and issue of Shares upon the exercise of all such options (assuming that the Over-allotment Option is not exercised and not taking into account any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme of our Company). If all options are exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 2.88% and a dilutive effect of approximately 2.8% on earnings per Share. However, as the options are exercisable for a period of four years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they will not exercise the Options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined under the Listing Rules) after the Global Offering and Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

F. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a resolution of our Shareholders passed on December 3, 2013 and adopted by a resolution of our Board on December 3, 2013. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to our Group and/or to enable us to recruit and retain high-caliber employees and attract human resources that are valuable to our Group and any entity in which our Group holds any equity interest (the "**Invested Entity**").

2. Eligible Participants

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options (the "**Options**") to subscribe for Shares:

- any full time or part time employee of or any person to whom any offer of employment has been made (including any executive directors but not any non-executive director) by our Company, its subsidiaries, any Invested Entity or the holding company of our Company (the "**Eligible Employee**");

- any non-executive director (including executive, non-executive and independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;

- any supplier of goods or services to any member of our Group or any Invested Entity;

- any customer of our Group or any Invested Entity;

- any person or entity that provides research, development or other technological support to our Group or any Invested Entity;

- any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; and

- any other group or classes of participants from time to time determined by our Directors as having contributed or may contribute to the development and growth of our Group and any Invested Entity,

and, for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust. For the avoidance of doubt, the grant of any Options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors have otherwise determined, be construed as a grant of an Option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any Options shall be determined by our Directors from time to time on the basis of their contribution to the development and growth of our Group and any Invested Entity.

3. Maximum number of Shares

(i) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 30% of the issued share capital of our Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all Options (excluding, for this purpose, Options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Company) to be granted under the Share Option Scheme and any other share option scheme of our Company must not in aggregate exceed 200,000,000 Shares, being 10% of the Shares in issue immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) (the "**General Scheme Limit**").

(iii) Subject to (i) above and without prejudice to (iv) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company (or any subsidiary) must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit as "refreshed", Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Company) will not be counted.

(iv) Subject to (i) above and without prejudice to (iii) above, our Company may issue a circular to the Shareholders and seek separate Shareholders' approval in general meeting to grant Options beyond the General Scheme Limit or, if applicable, the limit referred to in (iii) above to participants specifically identified by our Company before such approval is sought.

4. Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised or outstanding Options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of Options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting.

5. Grant of Options to connected persons

Any grant of Options under the Share Option Scheme to a Director, chief executive (other than a proposed Director or a proposed chief executive of our Company) or substantial shareholder of our Company, or any of their respective associates, must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options (i.e. in the event that our Board offers to grant Options to an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant)).

In the event of any change in the terms of Options granted to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates; or where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such further grant of Options must be approved by the Shareholders. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

6. Time of acceptance and exercise of an Option

An offer of grant of an Option may be accepted by a participant within 21 days from the date of the offer of grant of the Option. A consideration of HK$1 is payable on acceptance of the offer of grant of an Option.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on the date of grant of the Options but shall end in any event not later than 10 years from the date of grant of the Options subject to the provisions for early termination thereof.

7. Minimum periods and performance targets

Unless our Directors otherwise determine and state in the offer of the grant of Options to a participant, there is no general requirement on the minimum period for which an Option must be held and/or any performance targets which must be achieved before an Option granted under the Share Option Scheme can be exercised.

8. Subscription price for Shares

The subscription price per Share under the Share Option Scheme shall be a price determined by our Directors, but shall not be lower than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share, provided that for the purpose of calculating the subscription price where the Shares have been listed on the Stock Exchange for less than five trading days preceding the date of grant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each trading day falling within the period before the listing of the Shares on the Stock Exchange. Without prejudice to the generality of the foregoing, our Directors may grant Options in respect of which the subscription price is fixed at different prices for each different period during the option period provided that the subscription price per Share for each of the different periods shall not be less than the subscription price determined in the aforesaid manner.

9. Ranking of Shares

Shares allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and Articles of our Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of our Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon the exercise of an Option shall not carry any voting right until the completion of the registration of the grantee as the holder thereof.

Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of our Company from time to time.

10. Restrictions on the times of grant of Options

No offer for grant of Options may be made after inside information has come to its knowledge until our Company has announced the information. In particular, during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half- year, quarterly or any other interim period (whether or not required under the Listing Rules), and (ii) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. Further, no Option may be granted during any period of delay in publishing a results announcement.

The Board may not grant any Option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company, in particular, where the grant of Options is to a Director, (i) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

11. Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional.

12. Rights on ceasing employment

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death or for serious misconduct or other grounds referred to in paragraph 14 below before exercising his or her Option in full, the grantee may exercise the Option up to his or her entitlement at the date of cessation within the period of one month following the date of cessation in whole or in part (to the extent not already exercised) which date of cessation will be taken to be the last actual working day of the Eligible Employee with our Group or the Invested Entity or the holding company of our Company whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine.

13. Rights on death

If the grantee of an Option ceases to be a participant by reason of his or her death before exercising the Option in full, his or her legal personal representative(s) may exercise the Option (to the extent not already exercised) in full within a period of 12 months, following the date of death or such longer period as the Board may determine.

14. Rights on dismissal

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity or the holding company of our Company, his or her Option will lapse automatically on the date the Eligible Employee ceases to be an Eligible Employee.

15. Rights on breach of contract

If our Directors at their absolute discretion determine that the grantee of any Option (other than an Eligible Employee) or his or her associate has committed any breach of any contract entered into between the grantee or his or her associate on the one part and our Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, our Directors shall determine that the outstanding Options granted to the grantee shall lapse. In such event, his or her Options will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

If the Board in its absolute discretion determines that the grantee has committed a breach or failed to comply with any obligation or provisions (other than paragraph 22) or perform and observe any of the terms, conditions, restrictions and/or limitations attached to the grant of the Option or set out in the rules of the Share Option Scheme, the Options will lapse automatically and will not in any event be exercisable on or after the date on which the Board so determined.

16. Rights on a general offer

In the event of a general offer, whether by way of take-over offer, share re-purchase offer or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use our best endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full (to the extent not yet exercised) of the Options granted to them, Shareholders of our Company. If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee (or his or her legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

17. Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after we dispatch such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his or her personal representative(s)) shall be entitled to exercise all or any of his or her Options at any time not later than five Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

18. Rights on compromise or arrangement between our Company and our members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies, our Company shall give notice thereof to all grantees on the same date as we dispatches to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or where permitted under paragraph 13, his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her Options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and terminate. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of our officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension. Subject to the above, an Option will lapse automatically on the date the proposed compromise or arrangement becomes effective.

19. Adjustments to the subscription price

In the event of any alteration in the capital structure (including a capitalization of profits or reserves, rights issue or similar offer of securities to holders of Shares, consolidation, sub-division or reduction or similar reorganization of the share capital of our Company) of our Company whilst an Option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable will be made to the number of Shares subject to the Option so far as unexercised and/or the subscription price for Shares and/or the method of exercise of the Option concerned and/or the maximum number of Shares referred to in paragraphs 3 and 4 herein, provided that (i) any alteration shall give a grantee the same proportion of the issued share capital to which he/she was entitled prior to such alteration and that the aggregate subscription price payable by a grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such adjustment will be required in circumstances whether there is an issue of Shares or other securities of our Company as consideration in a transaction. In addition, in respect of any such alteration, other than any made on a capitalization issue, such auditors or independent financial advisor must confirm to our Directors in writing that the alteration satisfy the requirements of the relevant provision of the Listing Rules.

20. Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by the Board and the Shareholders in general meeting, with Option holders and their associates abstaining from voting.

21. Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further Options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme and the terms as set out in the offer letter.

22. Rights are personal to the grantee

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option. Any breach of the foregoing shall result in any outstanding Option or part thereof granted to such grantee be lapsed.

23. Lapse of Options

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period referred to in paragraphs 13, 14 and 15;

(ii) the expiry of the periods or dates referred to in paragraphs 11, 14, 15, 16, 17 and 18; and

(iii) the date on which a breach of the provision restriction on transfer and assignment of an Option referred to in paragraph 22 is committed.

24. Others

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered except with the approval of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme or are required as a result of the change in the requirements of Chapter 17 of the Listing Rules from time to time.

The amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares under the Share Option Scheme representing 10% of the issued share capital of our Company upon Listing; and

(ii) the commencement of dealings in the Shares on the Stock Exchange.

If both of the above conditions are not satisfied on or before the date following six months after the date of adoption of the Share Option Scheme (or such later date as the Board may decide), the Share Option Scheme shall forthwith be cancelled and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme. As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, 200,000,000 Shares under the Share Option Scheme, representing 10% of the issued share capital of our Company upon Listing.

G. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, BVI, the PRC and other jurisdictions in which the companies comprising our Group are incorporated.

2. Tax and other indemnity

Each of FSG Holding and Chief Union (collectively the "**Indemnifiers**") has entered into a deed of indemnity in favor of our Group (being a material contract referred to in the paragraph headed "Summary of material contracts" of this Appendix) to provide the following indemnities in favor of our Group. Our Directors have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries.

Under the deed of indemnity, amongst others, the Indemnifiers will jointly and severally indemnify each of the members of our Group against taxation falling on any member of our Group resulting from or by reference to any income, profits or gains accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Global Offering becomes unconditional. The Indemnifiers further jointly and severally undertake to indemnify each of the members of our Group on demand against any losses, damages, costs or expenses which may be suffered or incurred in connection with any form of taxation or taxation claim or any foregoing property related loss or claim.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (i) provision has been made for such taxation in the audited accounts of our Group; and (ii) the taxation arises or is incurred as a result of a retrospective change in law or regulation or the interpretation thereof or practice by the relevant tax authority coming into force after the date on which the Global Offering becomes unconditional or to the extent that the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or interpretation thereof or practice by the relevant tax authority after the date on which the Global Offering becomes unconditional with retrospective effect.

3. Litigation

As of the Latest Practicable Date, save as disclosed in "Business — Legal Proceedings" and "Business — Compliance" of this prospectus, we are not aware of any other litigation or arbitration proceedings pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operation.

4. Preliminary expenses

Our estimated preliminary expenses are approximately HK$17,630 and have been paid by our Company.

5. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Citigroup Global Markets Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Watson & Band Law Offices	PRC legal advisors to the Company
Jingtian & Gongcheng	PRC legal advisors to the underwriters
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuers
Appleby	Legal advisors as to Cayman Islands law

6. Consents of experts

Each of the experts referred to in paragraph 5 above has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Compliance advisor

Our Company have engaged Shenyin Wanguo Capital (H.K.) Limited as our compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

9. Shares will be eligible for CCASS

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme).

All necessary arrangements have been made enabling our Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice 2001.

11. Others

The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(ii) the written consents referred to in "Statutory and General Information — Consents of experts" in Appendix V to this prospectus; and

(iii) a copy of each of the material contracts referred to in "Statutory and General Information — Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Shearman & Sterling at 12th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(i) the Memorandum of Association and the Articles;

(ii) the accountant's report issued by Deloitte Touche Tohmatsu in relation to our Group, the text of which is set out in Appendix I to this prospectus;

(iii) the letter from Deloitte Touche Tohmatsu on the pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(iv) the audited financial statements of our Group for the three years ended December 31, 2012 and the six months ended June 30, 2013;

(v) the material contracts referred to in "Statutory and General Information — Summary of material contracts" in Appendix V to this prospectus;

(vi) the written consents referred to in "Statutory and General Information — Consents" in Appendix V to this prospectus;

(vii) the service contracts and letters of appointment referred to in "Further Information About our Directors, Senior Management and Staff — Particulars of Directors' service agreements and letters of appointment" in Appendix V to this prospectus;

(viii) the Companies Law;

(ix) the letter of advice prepared by Appleby summarizing certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;

(x) the PRC legal opinions issued by Watson & Band Law Offices, our PRC legal advisor, in respect of, among others, general corporate matters and property matters of our Group in the PRC;

(xi) the rules of the Pre-IPO Share Option Scheme and a full list of the grantees containing all the details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance under the Pre-IPO Share Option Scheme;

(xii) the rules of the Share Option Scheme.

福寿园
FU SHOU YUAN

Fu Shou Yuan International Group Limited
福壽園國際集團有限公司