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: 1448)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

2013 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the year ended December 31, 2013 amounted to approximately RMB611.8 million, representing an increase of approximately 27.5% compared with the year ended December 31, 2012.
- Profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB167.3 million, representing an increase of approximately 34.6% compared with the year ended December 31, 2012.
- Successful listing of the Shares on the Stock Exchange in December 2013.
- Earnings per Share amounted to approximately RMB11 cents, increased by 37.5% compared with the year ended December 31, 2012.
- The Board does not recommend the payment of a final dividend for the year ended December 31, 2013 given the Shares of the company were recently listed on the Stock Exchange.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the audited consolidated annual financial results of the Group for the year ended December 31, 2013 together with the comparative figures for the year ended December 31, 2012 as set out below. The consolidated results are audited and have been reviewed by the Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2013

	NOTES	**Year ended December 31, 2013** *RMB'000*	**2012** *RMB'000*
Revenue	4	611,811	479,977
Cost of sales and services		(120,152)	(93,659)
Gross profit		491,659	386,318
Other income and gains, net	5	29,432	9,789
Distribution and selling expenses		(105,982)	(95,214)
Administrative expenses		(122,951)	(104,062)
Finance costs		(5,281)	(10,837)
Other expenses	6	(26,501)	—
Share of profit of an associate		—	8,638
Profit before taxation		260,376	194,632
Income tax expense	7	(70,296)	(56,431)
Profit and total comprehensive income for the year		190,080	138,201
Profit and total comprehensive income attributable to:			
Owners of the Company		167,255	124,270
Non-controlling interests		22,825	13,931
		190,080	138,201
		RMB cents	RMB cents
Earnings per share - Basic	8	11	8
- Diluted	8	11	8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2013

	NOTES	Year ended December 31, 2013 RMB'000	2012 RMB'000
Non-current assets			
Property and equipment	9	187,667	121,533
Intangible assets		13,474	12,541
Cemetery assets	10	440,531	337,865
Restricted deposits		19,506	18,159
Interests in an associate		—	45,120
Deferred tax assets		31,093	32,910
Goodwill		28,102	18,507
		720,373	586,635
Current assets			
Inventories	11	182,680	111,164
Other receivables		21,086	37,765
Amounts due from related parties		—	12,798
Bank balances and cash		1,544,012	286,860
		1,747,778	448,587
Current liabilities			
Trade and other payables	12	171,321	155,538
Deferred income	13	11,629	8,419
Dividends payable	14	159,500	35,983
Amounts due to related parties		—	65,476
Income tax liabilities		130,628	93,211
Borrowings		39,050	50,550
		512,128	409,177
Net current assets		1,235,650	39,410
Total assets less current liabilities		1,956,023	626,045

	NOTES	Year ended December 31, 2013 RMB'000	2012 RMB'000
Non-current liabilities			
Deferred income	13	142,967	127,445
Borrowings		—	4,100
Amounts due to related parties		—	36,175
Loans from non-controlling interests		38,173	45,889
Deferred tax liabilities		29,946	31,434
		211,086	245,043
Net assets		1,744,937	381,002
Capital and reserves			
Share capital		121,158	—
Reserves		1,458,960	243,087
Equity attributable to owners of the Company		1,580,118	243,087
Non-controlling interests		164,819	137,915
Total equity		1,744,937	381,002

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is a limited company incorporated on 5 January 2012 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands, and its shares are listed on the Stock Exchange on December 19, 2013. The address of the registered office of the Company is Appleby Trust (Cayman) Ltd. at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business in Hong Kong of the Company is 8/F, Yue Hing Building, 103 Hennessy Road, Wanchai, Hong Kong. The Group is mainly engaged in the sale of burial plots, provision of funeral services and provision of cemetery maintenance services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing the presenting the consolidated financial statements, the Group has consistently applied the relevant International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), amendments and interpretations which are effective for annual accounting period beginning on 1 January 2013 (the "new and revised IFRSs") throughout the year ended 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis in accordance with the accounting policies set out below which are in conformity with IFRSs.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 been passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership 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 the Group; 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 estimates 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.

4. SEGMENT INFORMATION

The Group's reportable and operating segments are (i) burial services and (ii) funeral services:

	2013	**2012**
	Revenue	**Revenue**
	RMB'000	*RMB'000*
Burial services	523,812	418,860
Funeral services	87,999	61,117
	611,811	479,977

The Group's revenue was derived from various products and services provided by the Group. The details are as follows:

	2013 RMB'000	2012 RMB'000
Burial Services		
Sale of burial plots		
Customized burial (note (a))	162,473	141,315
Artistic burial (note (b))	169,524	110,031
Traditional burial	83,947	85,943
Lawn burial (note (c))	42,760	35,726
Green burial (note (d))	5,686	3,124
Indoor burial	7,996	4,758
Other burial-related services (note (e))	41,279	30,085
Cemetery maintenance services	10,147	7,878
	523,812	418,860
Funeral services	87,999	61,117
	611,811	479,977

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 gravemakers.

(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.

Geographical information

	2013 Revenue *RMB'000*	2012 Revenue *RMB'000*
Shanghai	371,326	279,849
Henan	36,638	29,507
Chongqing	52,060	42,762
Anhui	67,969	61,308
Shandong	36,416	35,350
Liaoning	39,333	31,201
Fujian	7,685	—
Zhejiang	384	—
	611,811	479,977

5. OTHER INCOME AND GAINS, NET

	2013 RMB'000	2012 RMB'000
Gain on deemed disposal of an associate	16,428	—
Interest income on bank deposits	5,240	2,667
Interest income on borrowings to others	1,054	4,637
Government grants	5,431	3,281
Others	1,279	(796)
	29,432	9,789

6. OTHER EXPENSES

Other expenses of RMB26.5 million for the Year 2013 represented the expenditures incurred, but not capitalized, for our Global Offering.

7. INCOME TAX EXPENSE

The Group's income tax expense includes provision made for EIT and deferred income tax during the year. Under 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 year with the exception of Chongqing Anle Services, which was subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions. This preferential tax treatment is subject to annual renewal. The effective corporate income tax rates were 27.0% and 29.0% for Year 2013 and Year 2012 respectively.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	167,255	124,270
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,516,399,117	1,499,960,861
Effect of dilutive potential ordinary shares: Share options	14,192,189	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,530,591,306	1,499,960,861

The diluted earnings per share is the same as basic earnings per share for the year ended December 31, 2012 as there was no potential dilutive ordinary share in issue.

9. PROPERTY AND EQUIPMENT

	2013 RMB'000	2012 RMB'000
Buildings	103,381	84,960
Leasehold improvements	2,121	1,705
Furniture, fixtures and equipment	10,497	7,345
Motor vehicles	13,370	11,823
Construction in progress	58,298	15,700
	187,667	121,533

As at 31 December 2013 and 2012, the Group pledged buildings with carrying values of approximately RMB10.6 million and RMB13.1 million, respectively, to secure bank loans granted to the Group.

10. CEMETERY ASSETS

	2013 RMB'000	2012 RMB'000
Prepaid lease payments	307,334	227,033
Landscape facilities	36,571	33,436
Development cost	96,626	77,396
	440,531	337,865

The prepaid lease payments have definite useful lives and amortized on a straight-line basis over the lease terms. As at 31 December 2013 and 2012, the prepaid lease payments include deposits for acquisition of land amounting to RMB53.1 million and nil, respectively, and the carrying value of lease payments to individuals amounting to approximately RMB25.3 million and RMB23.9 million 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.

11. INVENTORIES

	2013 RMB'000	2012 RMB'000
Burial Plots	139,314	75,218
Tombstone	41,144	33,719
Others	2,222	2,227
	182,680	111,164

12. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	50,850	42,985
Advances and deposits from customers	23,624	22,996
Payables for acquisition of property and equipment	8,216	6,954
Salary, welfare and bonus payables	63,310	75,529
Other taxes payable	6,749	1,131
Other accrued expenses	6,424	2,401
Unpaid listing expense	10,358	—
Others	1,790	3,542
	171,321	155,538

The following is an aged analysis of trade payable presented based on the invoice date at the year end:

	2013 RMB'000	2012 RMB'000
0 - 90 days	19,123	27,606
91 -180 days	9,596	3,450
181 - 360 days	7,662	8,511
Over 361 days	14,469	3,418
	50,850	42,985

The average credit period on purchases of goods is 181 to 360 days.

13. 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.

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 year.

14. DIVIDEND PAYABLE

As disclosed in the Prospectus, the Group has declared dividend amounted to RMB159.5 million in 2013. This is determined based on the results of the Group in 2012 and the first six months of 2013 and thus, is payable to the original shareholders of the Company before the Listing Date.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2013 given the Shares of the company were recently listed on the Stock Exchange.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I present the 2013 full-year results of the Group.

During the period of 2013, Fu Shou Yuan successfully achieved the business objectives set at the beginning of the year and recorded encouraging results. During the year under review, its revenue amounted to RMB611.8 million, representing an increase of 27.5% from 2012 (2012 : RMB480.0 million). As the Group's operating revenue continued to grow during the year, it also optimized the Group's internal management, and maintained a gross profit margin at 80.4% for the year ended December 31, 2013. The Group realized profit and total comprehensive income attributable to owners of the Company of RMB167.3 million in 2013, representing a significant increase of approximately 34.6% from 2012 (2012: RMB124.3 million).

Fu Shou Yuan will insist in its philosophy of sharing growth and achievements with investors. Given that the Group was recently listed on the Stock Exchange in December 2013, the Board does not intend to pay a final dividend for 2013 to the Shareholders. The Group will maintain a payout ratio of no less than 25% to reward all investors for their support in subsequent periods. However, we will annually review our dividend policy.

2013 was undoubtedly witnessing a breakthrough year for Fu Shou Yuan. Fu Shou Yuan listed on the main board of the Stock Exchange on December 19, 2013, it honored that the Group becomes the "first PRC funeral company's share" listed in Hong Kong, successfully landed at Hong Kong, an international financial platform, and showed our bloom, while ranked No. 1 in terms of the number of applicants for shares in Hong Kong in 2013. The successful Listing of Fu Shou Yuan represents the widely recognition of our innovative operating philosophy among communities, and is confident of the huge development potential of the PRC death care industry. The Group bears a great responsibility and a strong driven force to be the leader and integrator of the PRC death care industry, which persisting in stepping forward to our mission in a large extent.

Fu Shou Yuan was one of the first enterprise entrants into the PRC death care services industry since since 1994, the death care and cemetery concept was subverted and combined with traditional death care culture and modern philosophy. The Group not only provides professional and tailor-made comprehensive services, but also satisfies demand of different customer groups; we also strive in transforming cemetery into park through humanity approach, and help people to seek for warmth and energy from past memories of lives and let farewell more beautiful. Through the progress of transformation into a public company, the Group successfully achieves a diversified, balanced and healthy ownership structure comprising founding shareholders, management, social communities and investors. In 2013, we have attained a sustainable and rapid growth in results, and have maintained strong profitability at the same time. Through 20 years of unflagging effort, in terms of income scale and geographical coverage, Fu Shou Yuan has become the largest death care services provider in the PRC, providing our customers with quality, high value-added death care services and humanity and care in major cities in eight provinces.

"Let there be a careful attention to perform the funeral rites to parents, and let them be followed when long gone with the ceremonies of sacrifice - then the virtue of the people will resume its proper excellence."「慎終追遠，民德歸厚」, Chinese 5,000 years culture has a long history, death care custom is particularly deep-rooted in our culture. "Filial piety — that parents, when alive, be served according to propriety; that, when dead, they should be buried according to propriety; and that they should be sacrificed to according to propriety".「生，待之以禮; 死，葬之以禮，祭之以禮」is one of the most valuable virtues of the Chinese culture, and the foundation of essence and social moral of traditional value. There is a baby boom in the PRC since 1950's, thus the aging population has eventually arrived. With urbanization speeding up in the PRC and improving material conditions, people's spiritual pursuit has also been improved, and they are willing to set aside more budget on death care services and are more demanding towards death care services, thus the operating philosophy and service standard of death care industry shall be enhanced accordingly, which providing unlimited opportunities to the Company.

As a leader in the death care services industry in the PRC, the Group has persisted in assuming social responsibility and has upheld Chinese traditional values and cultural heritage. While ensuring our earnings, we uphold Chinese values of filial piety, family responsibility and showing respect to one's ancestors as an important guideline when we design and provide death care services. We conform to the wishes the deceased may have had or to the preferences of the family of the deceased, and advocate Chinese traditional filial piety culture through providing quality services. Moreover, the Group has placed a strong emphasis on public welfares, promoting Chinese traditional culture and values, which also strengthen our brand recognition and consolidate our leading position in our history. In 2013, we were awarded "Top Ten Most Investment-Worthy Brand in Asia" by the Global Times, the China Economic Herald and the Asia Brand Association. In March 2014, as the only candidate in death care industry, we, together with the Radio and Television Shanghai (上海廣播電視台), Shanghai Media Group (上海東方傳媒集團有限公司) and other enterprises, were awarded "Ten Best Corporate Cultural Innovative Brands in Shanghai for 2012-2013 (2012-2013 年度上海企業文化創新十佳品牌)" by Shanghai Enterprise Culture Promotion Association (上海市企業文化促進會). In the same month, we became a constituent stock of the Hang Seng Composite Index.

Prior to Listing, the Group has sustainably explored and practiced in corporate governance. The Group not only engaged external independent third-party as our internal control adviser, but also improved our internal structure through a quadruple supervision structure consisting of function centre, internal control centre, internal control adviser and professional committees. In respect of Fu Shou Yuan Group after Listing, the objective of corporate governance is not only a simply stress and repeat, but target to a new height, which positioned our corporate governance to be a world-class enterprise, and strive to transform from a passed corporate governance to a first-class corporate governance; strive to transform from system-based corporate governance to awareness and action-based corporate governance; strive to extend the governance efficiency to development of organization and personnel; and supervised by our Shareholders and stakeholders through an open, transparent and market-oriented approach.

2014 is the twentieth anniversary of the establishment of Fu Shou Yuan and the first year after Listing. On behalf of all the fellows of Fu Shou Yuan, I would like to take this opportunity to express my gratitude to all circles of society which recognize and support us during the course of Listing and after Listing. Fu Shou Yuan will always show gratitude and reward all investors with the best results, and we will not disappoint your believe and encouragement. The fellows of the Group will make persistent efforts and turn on our engine to speed up our development in this new Horse Year, in order to achieve the long-term development of Fu Shou Yuan and drive the progress of the PRC death care business with persisting effort!

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Market Overview

In year 2013, China recorded a GDP growth rate of 7.6% which is the lowest in the past nineteen years. This signified that the economy has entered into a phase of slower but stable growth. At the same time, the aged population of China has been growing steadily with over 190 million people above the age of 60 in year 2013. Coupled with the increasing rate of urbanization in China, the death care services industry in China has enjoyed a CAGR of 13.1% between 2008 and 2012. The PRC's death care services industry is now the largest in the world and also one of the fastest growing industries. According to Euromonitor International Limited, a leading global market information provider, the number of people aged over 65 in the PRC is expected to grow by more than 5% per annum while the death care services industry is expected to achieve a CAGR of 17% per annum during the period of 2013 to 2017.

(2) Business Review

Headquartered in Shanghai, the Group is the largest provider of death care services in the PRC. It operates two cemeteries in Shanghai, as well as one cemetery in each of Hefei, Zhengzhou, Jinan and Jinzhou. In terms of funeral services, the Group operates two funeral facilities in Chongqing and one in each of Shanghai, Hefei and Xiamen. Meanwhile, the Group has set up a branch in Ningbo to develop the business in the Zhejiang market.

The Group's beautifully designed cemeteries and customized funeral facilities offer customers a distinct way to express the old traditional culture of filial piety. Since inception in 1994, we keep abreast of market changes and consumer demand from our provision of personalized and customized death care services to our customers and gain extensive support and recognitions from the market. In year 2013, the Group held ceremonies for memorizing ascendants and deceased who had contributed to the society which clearly demonstrates our commitment to be the leading death care services provider through innovation and working closely with the society.

As disclosed in the Prospectus, the Group performed restructuring steps in year 2013, to consolidate its controlling position in the cemeteries it has invested over the past five years. As a result, the entities owning cemeteries in Zhengzhou (i.e. Henan FSY Industrial) and Jinzhou (i.e. Jinzhou Maoshan Anling) have become wholly owned subsidiaries of the Group. In addition, the other shareholders of Shanghai Nanyuan entered into an agreement with us, pursuant to which they irrecoverably assigned to the Group with the rights to manage and formulate financial and operation policies of Shanghai Nanyuan, and as a result, Shanghai Nanyuan became a 40% owned subsidiary of our Company. At the same time, the Group has expanded into new geographical markets in Xiamen and Ningbo last year.

As a result, the revenue of the Group increased from approximately RMB 480.0 million for the year ended December 31, 2012 to approximately RMB 611.8 million for the year ended December 31, 2013. Moreover, the Group planned to capitalize on the rising demand for environmentally friendly cremation machines, which demonstrates the Group's continuous effort to identify new products / services to enrich its business model. Last but not the least, the Listing further illustrated our commitment on establishing a new platform for sustainable development of the Group.

(3) Review of Operations and Results

(a) Financial Review

REVENUE

We derive our revenue primarily from two business segments: burial services and funeral services. The following table sets forth our revenue by segment for the year under review:

	Year ended December 31,			
	2013		**2012**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Burial services	523,812	85.6%	418,860	87.3%
Funeral services	87,999	14.4%	61,117	12.7%
Total	611,811	100.0%	479,977	100.0%

Our revenue increased by approximately RMB131.8 million, or 27.5%, from approximately RMB480.0 million for the year ended December 31, 2012 to approximately RMB611.8 million for the year ended December 31, 2013. This increase was primarily driven by a 25.1%, or approximately RMB105.0 million, increase in revenue from burial services and a 44.0%, or approximately RMB26.9 million, increase in revenue from funeral services.

Our cemeteries and funeral facilities are strategically located in major cities across eight provinces in the PRC, and we derived our revenue from eight cities and/or provinces during the year ended December 31, 2013. The following table sets forth a breakdown of our revenue by region for the year under review:

	Year ended December 31,			
	2013		2012	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai	371,326	60.7%	279,849	58.3%
Henan	36,638	6.0%	29,507	6.1%
Chongqing	52,060	8.5%	42,762	8.9%
Anhui	67,969	11.1%	61,308	12.8%
Shandong	36,416	6.0%	35,350	7.4%
Liaoning	39,333	6.4%	31,201	6.5%
Fujian	7,685	1.2%	—	—
Zhejiang	384	0.1%	—	—
Total	611,811	100.0%	479,977	100.0%

We achieved a growth in every location where we operate, particularly:

- the revenue from our operations in Shanghai increased by approximately RMB91.5 million or 32.7% for the year ended December 31, 2013, as compared with the year ended December 31, 2012, and amounted to approximately RMB371.3 million. The growth was primarily due to our acquisition of management control of Shanghai Nanyuan in January 2013, which contributed sales of burial plots with revenue of approximately RMB67.0 million;

- our funeral facilities in Xiamen City of Fujian Province and Ningbo City of Zhejiang Province commenced provision of funeral services in December 31, 2013, which contributed to a revenue growth of approximately RMB8.1 million; and

- we achieved an organic revenue growth of approximately RMB56.7 million, or 11.8% as compared with the year ended December 31, 2012, from the then existing cemeteries and funeral facilities as at the end of the year ended December 31, 2012.

Burial Services

We derive a substantial portion of our revenue from our burial services, which represented 85.6% (year ended December 31, 2012: 87.3%) of our total revenue for the year ended December 31, 2013. 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 98.1% of our revenue from burial services for the year ended December 31, 2013. Our revenue from the sale of burial plots for a given period is dependent upon the number of units we sold during the period, as well as the average price of the units sold during the period. The following table sets for the 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 year under review:

	Year ended December 31,							
	2013				2012			
	No. of units	*Average selling price (RMB per unit)*	*Revenue (RMB'000)*	*% of revenue from burial services*	*No. of units*	*Average selling price (RMB per unit)*	*Revenue (RMB'000)*	*% of revenue from burial services*
Sale of burial plots								
- Customized	633	256,670	162,473	31.0%	544	259,770	141,315	33.7%
- Artistic	2,032	83,427	169,524	32.4%	1,228	89,602	110,031	26.3%
- Traditional	2,068	40,594	83,947	16.0%	1,749	49,138	85,943	20.5%
- Lawn	952	44,915	42,760	8.2%	731	48,873	35,726	8.5%
- Green	550	10,340	5,686	1.1%	348	8,977	3,124	0.7%
- Indoor	1,432	5,583	7,996	1.5%	189	25,175	4,758	1.1%
- Other burial related services	—	—	41,279	7.9%	—	—	30,085	7.3%
	7,667	—	513,665	98.1%	4,789	—	410,982	98.1%
Cemetery maintenance services	—	—	10,147	1.9%	—	—	7,878	1.9%
Total revenue from burial services	7,667	—	523,812	100.0%	4,789	—	418,860	100.0%

As the selling prices of burial plots of each cemetery varies according to local market conditions, the fluctation in average selling price for each type of burial plot is mainly due to change in geographical mix of burial plots sold between 2012 and 2013.

We have six cemeteries currently in operation in five cities, and have been deriving revenue from them. The following table sets forth the breakdown of our revenue from the burial services by cemetery for the year under review:

	Year ended December 31,			
	2013		2012	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai Fu Shou Yuan	296,743	56.7%	275,283	65.7%
Shanghai Nanyuan	67,049	12.8%	—	—
Henan Fu Shou Yuan	36,638	7.0%	29,507	7.1%
Shandong Fu Shou Yuan	36,416	6.9%	35,350	8.4%
Hefei Dashushan Cultural Cemetery	47,633	9.1%	47,519	11.3%
Jinzhou Maoshan Anling	39,333	7.5%	31,201	7.5%
Total revenue from burial services	523,812	100.0%	418,860	100.0%

We acquired management control of Shanghai Nanyuan in January 2013 and its results of operations have been consolidated by us since then. The consolidation of Shanghai Nanyuan's results contributed to the increase of revenue from burial services by approximately RMB67.0 million. Excluding the Shanghai Nanyuan consolidation factor, we achieved a year over year organic growth in the revenue from burial services by 9.0%, or approximately RMB37.9 million.

Funeral Services

Our revenue from funeral services increased by approximately RMB26.9 million, or 44.0% from approximately RMB61.1 million for the year ended December 31, 2012 to approximately RMB88.0 million for the year ended December 31, 2013. This is partly due to commencement of operations in Fujian and Zhejiang which contributed revenue of approximately RMB8.1 million. Excluding the above factor, we achieved a year over year organic growth in the revenue from funeral services by 30.7%, or approximately RMB18.8 million.

COST OF SALES AND SERVICES

Cost of sales and services consists primarily of the costs we incur in relation to the provision of our death care services. The following table sets forth information relating to our cost of sales and services by segment for the year under review:

	Year ended December 31,			
	2013		2012	
	Cost of sales and services (RMB'000)	*% of total cost of sales and services*	*Cost of sales and services (RMB'000)*	*% of total cost of sales and services*
Burial services	94,457	78.6%	76,453	81.6%
Funeral services	25,695	21.4%	17,206	18.4%
Total	120,152	100.0%	93,659	100.0%

Our cost of sales and services increased by approximately RMB26.5 million, or 28.3%, from approximately RMB93.7 million for the year ended December 31, 2012 to approximately RMB120.2 million for the year ended December 31, 2013. This increase was primarily due to a 23.5% increase in cost of sales and services for burial services and a 49.3% increase in cost of sales and services for funeral services.

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; and

- 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 year under review:

	Year ended December 31,			
	2013		**2012**	
	Cost of sales and services (RMB'000)	*% of total cost of sales and services*	*Cost of sales and services (RMB'000)*	*% of total cost of sales and services*
Tombstone cost	33,532	35.5%	25,535	33.4%
Land cost	8,923	9.4%	7,807	10.2%
Development cost	16,483	17.5%	15,610	20.4%
Landscaping facility cost	2,763	2.9%	2,196	2.9%
Cemetery maintenance cost	7,769	8.2%	6,859	9.0%
Others	24,987	26.5%	18,446	24.1%
Total	94,457	100.0%	76,453	100.0%

Our cost of sales and services for burial services increased by approximately RMB18.0 million, or 23.5%, from approximately RMB76.5 million for the year ended December 31, 2012 to approximately RMB94.5 million for the year ended December 31, 2013, mainly due to the increase of number of burial plots sold for the year. Our cost structure of sales and services for burial services remains relatively stable.

Our cost of sales and services for funeral services represents the various expenditures incurred in relation to the provision of funeral services, including our operating staff costs, cost of caskets and other ancillary costs related to the provision of funeral services. Our cost of sales and services for funeral services increased by approximately RMB8.5 million, or 49.3%, from approximately RMB17.2 million for the year ended December 31, 2012 to approximately RMB25.7 million for the year ended December 31, 2013. This increase was primarily due to the business growth in our funeral service segment, especially our commencement of provision of funeral services in Xiamen City in February 2013.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately RMB105.3 million, or 27.3%, from approximately RMB386.3 million for the year ended December 31, 2012 to approximately RMB491.6 million for the year ended December 31, 2013. Our overall gross profit margin remains stable at 80.4% (year ended December 31, 2012: 80.5%) for the year ended December 31, 2013. The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the year under review:

	Year ended December 31,			
	2013		**2012**	
	Gross profit (RMB'000)	*Gross profit margin (%)*	*Gross profit (RMB'000)*	*Gross profit margin (%)*
Burial services	429,355	82.0%	342,407	81.7%
Funeral services	62,304	70.8%	43,911	71.8%
Total	491,659	80.4%	386,318	80.5%

We maintained a relatively stable gross profit margin as we have been consistently providing very high quality of service in the death care services industry in the PRC. Through provision of premium services and promoting our Fu Shou Yuan brand, we obtained a price premium over other death care services providers in the PRC. Our gross profit margin for funeral services slightly decreased from 71.8% for the year ended December 31, 2012 to 70.8% for the year ended December 31, 2013, mainly due to our commencement of provision of funeral services in Xiamen City in February 2013, which had a relatively low profit margin in its debut year.

Other Income and Gains - Net

The following table sets forth a breakdown of major components of our net other income and gains for the year under review:

	Year ended December 31,	
	2013	**2012**
	(RMB'000)	*(RMB'000)*
Gain on deemed disposal of an associate	16,428	—
Interest income on bank deposits	5,240	2,667
Interest income on borrowings to others	1,054	4,637
Government grants	5,431	3,281
Others	1,279	(796)
Total	29,432	9,789

Gain on deemed disposal of an associate of approximately RMB16.4 million for the year ended December 31, 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 remaining equity holders of Shanghai Nanyuan. Pursuant to the agreement, the remaining 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 40% owned subsidiary, which resulted in our 40% equity interest in Shanghai Nanyuan being deemed to have been disposed of and acquired as a subsidiary. A gain was recorded from the deemed disposal.

Our interest income on bank deposits increased by approximately RMB2.5 million from approximately RMB2.7 million for the year ended December 31, 2012 to approximately RMB5.2 million for the year ended December 31, 2013, mainly due to the higher average bank deposits balance during the year ended December 31, 2013.

Our interest income on borrowings to others decreased by approximately RMB3.5 million, from approximately RMB4.6 million for the year ended December 31, 2012 to approximately RMB1.1 million for the year ended December 31, 2013, mainly due to the settlement of all borrowings to related parties and independent third parties for the year ended December 31, 2013.

Government grants in the amount of approximately RMB5.4 million for the year ended December 31, 2013 and approximately RMB3.3 million for the year ended December 31, 2012 represented unconditional tax subsidies from the local government to encourage economic development.

Distribution and Selling Expenses

Distribution and selling expenses mainly consist of salary and staff costs for our sales and distribution staff, commissions, advertisement and promotion expenses, travel expenses, business development expenses and leasing expenses. The following table sets forth a breakdown of our distribution and selling expenses for the year under review:

	Year ended December 31,			
	2013		**2012**	
	Distribution and selling expenses (RMB'000)	*% of distribution and selling expenses*	*Distribution and selling expenses (RMB'000)*	*% of distribution and selling expenses*
Salary and staff costs	46,499	43.9%	45,765	48.1%
Commissions	27,987	26.4%	21,062	22.1%
Advertisement and promotion	7,525	7.1%	6,941	7.3%
Travel	4,537	4.3%	3,519	3.7%
Business development	11,012	10.4%	10,882	11.4%
Leasing	2,970	2.8%	2,319	2.4%
Others	5,452	5.1%	4,726	5.0%
Total	105,982	100.0%	95,214	100.0%

Our distribution and selling expenses increased by approximately RMB10.8 million, or 11.3%, from approximately RMB95.2 million for the year ended December 31, 2012 to approximately RMB106.0 million for the year ended December 31, 2013. This increase was primarily due to our consolidation of Shanghai Nanyuan's results for the year ended December 31, 2013, which contributed to an increase in distribution and selling expenses by approximately RMB11.0 million. The increase was also due to the general salary adjustment in 2013 but partially offset by the effect of special year-end bonuses for our sales and distribution staff aggregating to approximately RMB6.5 million paid in 2012 as disclosed in the Prospectus. We set the rate of our commissions by local market standards and we believe the commission level we pay is in line with average local market standards. Our commissions paid or payable for the year ended December 31, 2013 accounted for 4.6% (year ended December 31, 2012: 4.4%) of our total revenue.

Administrative Expenses

Administrative expenses mainly 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 and leasing expenses. The following table sets forth a breakdown of our administration expenses for the year under review:

	Year ended December 31,			
	2013		**2012**	
	Administrative expenses (RMB'000)	*% of administrative expenses*	*Administrative expenses (RMB'000)*	*% of administrative expenses*
Salary and staff costs	68,472	55.7%	50,847	48.9%
Travel and business development	21,801	17.8%	16,688	16.0%
Depreciation and amortization	14,061	11.4%	10,891	10.5%
Consulting fees	3,119	2.5%	17,730	17.0%
Meeting and conference	5,825	4.7%	3,017	2.9%
Leasing	3,863	3.1%	3,129	3.0%
Others	5,810	4.8%	1,760	1.7%
Total	122,951	100.0%	104,062	100.0%

Our administrative expenses increased by approximately RMB18.9 million, or 18.2%, from approximately RMB104.1 million for the year ended December 31, 2012 to approximately RMB123.0 million for the year ended December 31, 2013. This increase was primarily due to (i) our consolidation of Shanghai Nanyuan's results in 2013, which contributed to an increase of administrative expenses by approximately RMB9.8 million, (ii) an extra charge for the year ended December 31, 2013 of approximately RMB6.6 million due to our grant of share options to our Directors and employees in August 2013, (iii) an increase in salary and staff costs of approximately RMB5.5 million mainly due to the general salary adjustment and new hiring in 2013, and (iv) general increase of other administrative expense items due to business growth and more communications and affairs during our process of Listing in 2013. There was a decrease in consulting fees, from approximately RMB17.7 million for the year ended December 31, 2012 to approximately RMB3.1 million for the year ended December 31, 2013, as we incurred extra expenses related to the litigation between us and China Healthcare, which was disclosed in the Prospectus, for the year ended December 31, 2012, while we only incurred professional fees such as auditing fees for our annual financial statements and website upgrade for the year ended December 31, 2013.

Finance Costs

Finance costs consist of interest expense on borrowings, loans from non-controlling interests and borrowings from independent third parties. The following table sets forth information relating to our finance costs for the year under review:

	Year ended December 31,	
	2013	**2012**
	(RMB'000)	*(RMB'000)*
Interest expenses on		
- borrowings	3,670	3,882
- loans from non-controlling interests	4,068	4,848
- borrowings from independent third parties	543	2,107
Less: Capitalized interest	(3,000)	—
Total	5,281	10,837

Our finance costs decreased by approximately RMB5.5 million from approximately RMB10.8 million for the year ended December 31, 2012 to approximately RMB5.3 million for the year ended December 31, 2013, mainly due to our repayment of the borrowings from Chongqing Zhonghan Xinye in July 2013 and capitalized interest on borrowings used for construction in progress.

Interest expense on loans from non-controlling interests refers to our interest expense in connection with the shareholder's loans borrowed by our subsidiary, Shandong FSY Development, from Shandong World Trade Centre. Shandong FSY Development is jointly invested by our Group and Shandong World Trade Centre. Our Group and Shandong World Trade Centre jointly provide funding to Shandong FSY Development, for its land acquisition and cemetery development via shareholders' loan based on the respective shareholding percentage in addition to the registered capital. Shandong FSY Development repaid part of the loan for the year ended December 31, 2013 to its shareholders, which led to the decrease of interest expenses on loans from non-controlling interests by approximately RMB0.8 million.

Other Expenses

Other expenses of approximately RMB26.5 million for the year ended December 31, 2013 represented the expenditures incurred, but not capitalized, for the Global Offering.

Income Tax Expense

The income tax expense increased by approximately RMB13.9 million, or 24.6%, from approximately RMB56.4 million for the year ended December 31, 2012 to approximately RMB70.3 million for the year ended December 31, 2013. Our effective corporate income tax rates were 27.0% and 29.0% for the year ended December 31, 2013 and the year ended December 31, 2012, respectively.

Profit and total Comprehensive Income Attributable to Owners of the Company

As a result of the foregoing, our profit and total comprehensive income attributable to owners of the Company increased by approximately RMB43.0 million, or 34.6%, from approximately RMB124.3 million for the year ended December 31, 2012 to approximately RMB167.3 million for the year ended December 31, 2013. This increase was primarily due to (i) our revenue growth in our existing cemeteries and funeral facilities and relatively stable gross profit margin; (ii) a gain on deemed disposal of an associate of approximately RMB16.4 million in connection with our acquisition of control of Shanghai Nanyuan in January 2013, (iii) our acquisition of additional interest in existing subsidiaries in connection with an additional 45% equity interest in Henan FSY Industrial and additional 15.73% equity interest in Jinzhou Maoshan Anling both in January 2013, and (iv) the fact that we incurred more expenses related to the litigation between us and China Healthcare in 2012, which amounted to approximately RMB16.8 million. The increase was however offset by (i) the Listing expenses of approximately RMB26.5 million recognized as expenses for the year ended December 31, 2013, and (ii) increase in staff costs for the year ended December 31, 2013 of approximately RMB6.6 million due to our grant of share options to our Director and employees pursuant to the Pre-IPO Share Option Scheme in August 2013.

Cash Flow

The following table sets forth a summary of our consolidated statements of cash flows for the year under review:

	Year ended December 31, 2013 (RMB'000)	2012 (RMB'000)
Net cash generated from (used in)		
- operating activities	161,681	177,403
- investing activities	(5,142)	(13,563)
- financing activities	1,100,613	(98,878)
Total	1,257,152	64,962

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. For the year ended December 31, 2013, our net cash generated from operating activities amounted to approximately RMB161.7 million. It mainly included the operating cash inflows before movement in working capital of approximately RMB276.6 million, but partially offset by (i) our payment of a deposit of approximately RMB36.0 million for purchase of land by our subsidiary, Nanchang Hongfu, (ii) the increase of other working capital of approximately RMB24.7 million due to the business growth, and (iii) income tax paid of approximately RMB54.2 million.

Our net cash generated from and used in investing activities reflects the results of our investing activities for the year, such as additions to and deposits paid for property and equipment, proceeds on disposal of property and equipment, acquisitions of subsidiaries, and dividends received from associates. For the year ended December 31, 2013, our net cash used in investing activities was approximately RMB5.1 million. It was primarily due to our additions to and deposits for property and equipments of approximately RMB74.5 million, mainly in connection with (i) the construction of factory and production line set-up for manufacturing cremation machines by our subsidiary, Anhui Zhongfude, (ii) infrastructure construction including new office building and parking area, in Jinzhou, (iii) renovation of dining, training, and customer service facilities in Shanghai, (iv) construction of employee dormitories in Henan, and (v) purchase of certain vehicles and office equipment in various operation locations. It was partially offset by (i) the settlement of our advances to related parties, independent third parties and non-controlling interests together with the relevant interests, amounting to approximately RMB16.8 million, and (ii) the increase in bank balances and cash by approximately RMB38.8 million as a result of the consolidation of Shanghai Nanyuan's results after our acquisition of its control in January 2013.

Our net cash generated from financing activities reflects the results of our financing activities for the year, such as our Global Offering in December 2013, bank borrowings, repayment of bank borrowings, dividends paid to owners of the Company and to non-controlling interests. Our net cash generated from financing activities amounted to approximately RMB1,100.6 million for the year ended December 31, 2013. It was primarily due to the gross proceeds of approximately RMB1,300.9 million received from our Global Offering of 500 million new Shares. The amount was partially offset by (i) dividends paid to owners of the Company of approximately RMB32.4 million and to non-controlling interests of approximately RMB20.0 million, (ii) our net repayment of bank and other borrowings of approximately RMB15.6 million and interest paid of approximately RMB10.3 million, (iii) settlement the accounts with related parties and non-controlling interests with a net amount of approximately RMB14.5 million, (iv) acquisition of additional interest in existing subsidiaries of approximately 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, and (v) payment of Listing related expenses of approximately RMB84.6 million.

(b) Financial Position

Liquidity and Financial Resources

As at December 31, 2013, we had bank balances and cash of approximately RMB1,544.0 million, primarily due to the net proceeds from our Global Offering of 500 million new Shares in December 2013. In January 2014, we issued another 75 million new Shares as the Over-allotment Option (as defined in the Prospectus) was exercised. In the foreseeable future, we expect to fund our capital expenditures, working capital and other capital requirements from the net proceeds from the Global Offering, cash generated from our operations, and bank borrowings.

We had outstanding bank borrowings of approximately RMB39 million as at December 31, 2013, that are wholly repayable within one year. We had bank borrowing facilities of approximately RMB130 million committed but not withdrawn as at December 31, 2013. Meanwhile, Shandong FSY Development, one of our subsidiary, also had an outstanding loan balance of approximately RMB38.2 million, without specific repayment schedule, from its non-controlling shareholder, Shandong World Trade Centre. The interest born by these borrowings ranges from 6.00% to 9.18%, subject to annual negotiation.

Gearing Ratio

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as of December 31, 2013 was 2.2%, sharply decreased from 14.3% as of December 31, 2012. The decrease was mainly due to the increase in our equity base as a result of the Global Offering in December 2013.

Our operation has been lightly leveraged because of our good operating cash generating capability. Even we expect that our capital expenditure in 2014 and afterwards will tremendously increase, we do not estimate our gearing ratio will substantially increase considering the bank balance and cash we currently have in hand. Therefore, we are exposed to limited interest rate risk.

Currency Risk

The economic environment in which we operate is the PRC and our functional currency is RMB. However, certain bank balances, especially the net proceeds from the Global Offering are denominated in foreign currencies, which exposed us to foreign currency risk. In order to mitigate us from the fluctuations in foreign currency exchange rates, we exchanged majority of the proceeds into RMB before the end of 2013 based on the consideration that the use of proceeds will be in RMB and in the PRC. We believe the current level of bank balances and certain payables denominated in foreign currencies expose us to a limited and manageable foreign currency risk. Our management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

(c) Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

Save for the reorganisation for the purpose of Listing of the Shares on the Stock Exchange as disclosed in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended December 31, 2013.

(d) Employee and Remuneration Policy

As at December 31, 2013, we had 1,211 full-time employees stationed in ten cities across China. We offer competitive packages as well as fringe benefits to our staff, in which we also make contributions to social security insurance funds in accordance with applicable laws and regulations. Furthermore, we provide staff training and development programs and performance-based bonus to ensure that our employees are equipped with the necessary skills and are remunerated according to their performance.

(e) Capital Commitment

We had contracted but not provided in the financial statements, for the capital expenditures in respect of acquisition of land, property and equipment in an amount of approximately RMB70.5 million as at December 31, 2013. We had also authorized RMB60.0 million for the construction of new business centres in Haigang Fu Shou Yuan and Henan Fu Shou Yuan, and for the cemetery landscaping enhancement and infrastructure development of Shandong Fu Shou Yuan.

We expect our capital expenditure in 2014 and afterwards will tremendously increase as we are actively seeking for and approached with many industry consolidation opportunities.

(f) Assets Pledged

As at December 31, 2013, we pledged buildings with carrying values of approximately RMB10.6 million to secure certain bank borrowings granted to us. Except for that, no other assets were pledged or charged.

(g) Contingent Liabilities

As of December 31, 2013, we did not have any contingent liabilities.

(h) Other Information

Cemetery Lands Available

We derive a substantial portion of our revenue from our burial services, out of which, sale of burial plots represented the largest component of our revenue from burial services. In 2013, we expended land of approximately 17,848 sq.m. to generate revenue from sale of burial plots. The below table sets forth the saleable area in each of our cemetery as at December 31, 2013.

	Saleable area *(sq.m.)*
Shanghai Fu Shou Yuan	192,731
Haigang Fu Shou Yuan	55,304
Henan Fu Shou Yuan	218,642
Shandong Fu Shou Yuan	440,531
Hefei Dashushan Cultural Cemetery	42,047
Jinzhou Maoshan Anling	23,409
Total	972,664

When we determine the saleable area of each cemetery, we have already estimated and excluded those areas not for burial plots, such as the land areas in connection with the business centre, office building, landscaping, and main roads.

(4) Prospects

We believe the Group is well-positioned to continuously benefit from strong fundamentals in death care services industry in the PRC, including but not limited to the steadily growing economy, increasing trend of urbanization, higher disposable income per capita and the ageing population of the country. Furthermore, the Group will continue to implement its expansion plans via:

(i) continuing to be a role model of the death care services industry by setting the industry's best practices and reinforcing the tradition and cultural awareness;

(ii) increasing our market share by expanding into new geographical markets;

(iii) expanding our range of service offerings to cater for evolving market demands; and

(iv) leveraging our "Fu Shou Yuan" brand through acquisition, collaboration and joint venture.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering of the Company's Shares (after the exercise of the Over-allotment Option (as defined in the Prospectus)), excluding Listing related expenses, amounted to approximately HK$1,758.9 million, and the net proceeds are intended to be applied in the manner consistent with that set out in the Prospectus.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, May 15, 2014 and the notice of AGM is expected to be published and despatched to the Shareholders on or about Thursday, April 10, 2014.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2013 given the Shares of the Company were recently listed on the Stock Exchange.

CLOSURE OF THE REGISTER OF MEMBERS

The record date for determining the identity of the Shareholders who are eligible to attend and vote at the forthcoming AGM is Thursday, May 15, 2014. In order to determine the identity of such Shareholders, the register of members of the Company will be closed from Tuesday, May 13, 2014 to Thursday, May 15, 2014, both days inclusive. During the period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, May 12, 2014.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of opinion that the Company has complied with the code provisions as set out in the CG Code throughout the period commencing from the Listing Date to December 31, 2013 (the "**Relevant Period**").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Relevant Period.

During the Relevant Period, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for compliance by its relevant employees who are likely to be in possession of inside information of the Company in respect of their dealings in the Company's securities.

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

During the Relevant Period, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee of the Company, comprising two independent non-executive Directors, namely, Mr. Ho Man (Chairman of the Audit Committee) and Mr. Luo Zhuping, and one non-executive Director, namely, Mr. Huang James Chih-Cheng, has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, the annual results and the consolidated financial statements for the year ended December 31, 2013.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2013 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsygroup.com). The annual report for the year ended December 31, 2013 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"AGM"	the annual general meeting of the Company
"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, and an indirect wholly-owned subsidiary of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China Healthcare"	China Healthcare Holdings Limited, a company listed on the Stock Exchange (HKSE stock code: 673), an independent third party
"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, and an indirect wholly-owned subsidiary of the Company
"Chongqing Zhonghan Xinye"	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), an independent third party
"Company", "our Company", "Fu Shou Yuan", "us" or "we"	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
"Director(s)"	the director(s) of our Company
"EIT"	PRC enterprise income tax

"EIT Law"	the Law of the PRC on Exterprise Income Tax
"GDP"	gross domestic product
"Global Offering"	the offering by the Company of initially 500,000,000 Shares for subscription by the public in Hong Kong and placing with professional and institutional investors outside the United States in December 2013
"Group", "our Group", "Fu Shou Yuan Group", "us" or "we"	the Company and its subsidiaries at the relevant point of time (including where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company)
"Henan FSY Industrial"	Henan Fu Shou Yuan Industrial Co., Ltd.* (河南福壽園實業有限公司), a company established in the PRC on July 7, 2003, and an indirect wholly-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"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 the Company, its subsidiaries or any of their respective associates
"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, and an indirect wholly-owned subsidiary of the Company
"Listing"	listing of the Shares on the Stock Exchange
"Listing Date"	December 19, 2013, the date on which dealings in our 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)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"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 the Company
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on March 10, 2013
"Prospectus"	the prospectus of the Company dated December 9, 2013
"RMB"	Renminbi yuan, the lawful currency of the PRC
"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 Centre. It is an indirect non wholly-owned subsidiary of the Company
"Shandong World Trade Centre"	Shandong World Trade Centre* (山東世界貿易中心), an independent third party and a 50% shareholder of Shandong FSY Development
"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, and an indirect wholly-owned subsidiary of the 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 the Company
"Share(s)"	ordinary share(s) with a nominal value of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

* Denotes English translation or transliteration of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

By order of the Board
Fu Shou Yuan International Group Limited
BAI Xiaojiang
Chairman

Hong Kong, March 26, 2014

As at the date of this announcement, the executive Directors are Mr. Bai Xiaojiang, Mr. Tan Leon Li-an and Mr. Wang Jisheng; the non-executive Directors are Mr. Lin Hung Ming (also known as Lin Hon Min), Mr. Lu Hesheng and Mr. Huang James Chih-Cheng; and the independent non-executive Directors are Mr. Chen Qunlin, Mr. Luo Zhuping, Mr. Ho Man and Ms. Wu Jianwei.