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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: 1448)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

2014 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the year ended December 31, 2014 amounted to approximately RMB795.1 million, representing an increase of approximately 30.0% compared with the year ended December 31, 2013.
- Profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB230.4 million, representing an increase of approximately 37.7% compared with the year ended December 31, 2013.
- Earnings per Share amounted to approximately RMB11 cents, flat with the year ended December 31, 2013.
- The Board proposed a final dividend of HK1.95 cents per Share for the year ended December 31, 2014.

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, 2014 together with the comparative figures for the year ended December 31, 2013 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, 2014

	NOTES	**2014** *RMB'000*	**2013** *RMB'000*
Revenue	4	795,092	611,811
Cost of sales and services		(159,259)	(120,152)
Gross profit		635,833	491,659
Other income and gains, net	5	58,128	29,432
Distribution and selling expenses		(149,394)	(105,982)
Administrative expenses		(199,680)	(122,951)
Finance costs		(3,679)	(5,281)
Other expenses		—	(26,501)
Profit before taxation		341,208	260,376
Income tax expense	6	(56,149)	(70,296)
Profit and total comprehensive income for the year		285,059	190,080
Profit and total comprehensive income attributable to:			
Owners of the Company		230,372	167,255
Non-controlling interests		54,687	22,825
		285,059	190,080
		RMB cents	RMB cents
Earnings per share - Basic	7	11	11
- Diluted	7	11	11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

	NOTES	**2014** *RMB'000*	**2013** *RMB'000*
Non-current assets			
Property and equipment	8	271,304	187,667
Intangible assets		13,709	13,474
Prepaid lease payment		13,174	—
Cemetery assets	9	628,648	440,531
Restricted deposits		23,730	19,506
Investment in a joint venture		30,000	—
Deposit for acquisition of subsidiaries	10	293,800	—
Deferred tax assets	15	33,723	31,093
Goodwill	11	94,459	28,102
		1,402,547	720,373
Current assets			
Inventories	12	215,733	182,680
Other receivables		20,083	21,086
Bank balances and cash		1,296,757	1,544,012
		1,532,573	1,747,778
Current liabilities			
Trade and other payables	13	258,437	171,321
Deferred income	14	13,097	11,629
Dividends payable		—	159,500
Loan from non-controlling interests		21,396	—
Income tax liabilities		122,846	130,628
Borrowings		34,950	39,050
		450,726	512,128
Net current assets		1,081,847	1,235,650
Total assets less current liabilities		2,484,394	1,956,023

	NOTES	2014	2013
		RMB'000	RMB'000
Non-current liabilities			
Deferred income	14	166,545	142,967
Loans from non-controlling interests		38,173	38,173
Deferred tax liabilities	15	67,364	29,946
		272,082	211,086
Net assets		2,212,312	1,744,937
Capital and reserves			
Share capital		125,689	121,158
Reserves		1,857,584	1,458,960
Equity attributable to owners of the Company		1,983,273	1,580,118
Non-controlling interests		229,039	164,819
Total equity		2,212,312	1,744,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL

The Company is a company incorporated on January 5, 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 Unit 709, 7/F, K. Wah Centre, 191 Java Road, North Point, 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

In the current year, the Group has applied the following amendments to IFRSs and interpretation issued by the International Accounting Standards Board ("IASB").

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

IFRIC — Int 21 Levies

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 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 and auxiliary services income are recognized when services are provided.

4. SEGMENT INFORMATION

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

	2014	2013
	RMB'000	*RMB'000*
Burial Services		
Sale of burial plots		
Customized burial (note (a))	187,674	162,473
Artistic burial (note (b))	244,616	169,524
Traditional burial	120,730	83,947
Lawn burial (note (c))	41,085	42,760
Green burial (note (d))	6,095	5,686
Indoor burial	8,772	7,996
Other burial-related services (note (e))	51,554	41,279
Cemetery maintenance services	13,045	10,147
	673,571	523,812
Funeral services	109,836	87,999
Auxiliary services	11,685	—
	795,092	611,811

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 of the tombstone, the trading of flower and additional engraving fees.

Geographical information

	2014	**2013**
	Revenue	**Revenue**
	RMB'000	*RMB'000*
Shanghai	474,252	371,326
Henan	54,453	36,638
Chongqing	67,732	52,060
Anhui	84,682	67,969
Shandong	44,869	36,416
Liaoning	52,377	39,333
Fujian	13,526	7,685
Zhejiang	2,205	384
Jiangxi	996	—
	795,092	611,811

5. OTHER INCOME AND GAINS, NET

	2014	**2013**
	RMB'000	*RMB'000*
Interest income	54,491	6,294
Gain on deemed disposal of an associate	—	16,428
Government grants	—	5,431
Compensation	—	3,952
Exchange gain (loss)	4,433	(2,256)
Others	(796)	(417)
	58,128	29,432

6. 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 and Chongqing Anle Funeral Services, which were subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions. The preferential tax rate for Chongqing Anle Funeral Services is effective until 2020 and the preferential tax rate for Chongqing Anle Services is renewed annually.

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 years ended December 31, 2014.

7. 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:

	2014	**2013**
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	230,372	167,255
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,073,150,685	1,516,399,117
Effect of dilutive potential ordinary shares:		
Share options	37,619,750	14,192,189
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,110,770,435	1,530,591,306

8. PROPERTY AND EQUIPMENT

	2014	2013
	RMB'000	*RMB'000*
Buildings	97,942	103,381
Leasehold improvements	4,104	2,121
Furniture, fixtures and equipment	9,836	10,497
Motor vehicles	14,308	13,370
Construction in progress	145,114	58,298
	271,304	187,667

9. CEMETERY ASSETS

	2014	2013
	RMB'000	*RMB'000*
Prepaid lease payments	467,594	307,334
Landscape facilities	55,089	36,571
Development cost	105,965	96,626
	628,648	440,531

The prepaid lease payments have definite useful lives and amortized on a straight-line basis over the lease terms.

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.

10. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

	At December 31, 2014
	RMB'000
Deposit for acquisition of subsidiaries	
Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd	279,300
Zaozhuang Shanting Xingtai Funeral Services Co., Ltd	4,500
Wuyuan Wanshoushan Lingyuan Co., Ltd	10,000
	293,800

11. GOODWILL

The carrying amounts of goodwill as at December 31, 2014 and 2013 arose from the acquisition of following subsidiaries:

	2014	2013
	RMB'000	*RMB'000*
Shanghai Nanyuan	9,595	9,595
Jinzhou Maoshan Anling	3,738	3,738
Henan FSY Industrial	14,769	14,769
Chongqing Baitayuan	47,458	—
Meilin Century Cemetery	18,899	—
	94,459	28,102

12. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Burial Plots	149,957	139,314
Tombstone	55,052	41,144
Others	10,724	2,222
	215,733	182,680

13. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	92,110	50,850
Advances and deposits from customers	45,879	23,624
Payables for acquisition of property and equipment	5,664	8,216
Salary, welfare and bonus payables	77,245	63,310
Other taxes payable	—	6,749
Other accrued expenses	8,952	6,424
Unpaid listing expense	—	10,358
Consideration for acquisition of a subsidiary	12,196	—
Others	16,391	1,790
	258,437	171,321

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

	2014	2013
	RMB'000	*RMB'000*
0 - 90 days	32,748	19,123
91 - 180 days	12,009	9,596
181 - 360 days	23,277	7,662
Over 361 days	24,076	14,469
	92,110	50,850

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

14. 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.

15. DEFERRED TAXATION

The following are the major deferred tax assets (liability) recognized by the Group:

	2014	**2013**
	RMB'000	*RMB'000*
Time difference for certain accruals and liabilities	33,249	30,477
Unused tax losses	474	616
Fair value adjustment	(67,364)	(29,946)
	(33,641)	1,147

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the 2014 full-year results of the Group.

Since the Shares of the Group were listed on the Stock Exchange in December 2013, the Group has been committed to implementing the development plan set out in the initial public offering prospectus dated December 9, 2013 to further develop the existing markets and expand its presence across the country. During the period under review, the Group recorded considerable achievements and its revenue amounted to RMB795.1 million, representing an increase of 30.0% from 2013 (2013 : RMB611.8 million). Benefiting from the organic growth of the Group's core businesses and the continued optimization of internal management, during the period under review, the gross profit margin of the Group was 80.0% (2013: 80.4%). Profit and total comprehensive income attributable to shareholders was RMB230.4 million, representing an increase of approximately 37.7% from last year (2013: RMB167.3 million).

Fu Shou Yuan insists on sharing achievements with investors. The Board proposes a final dividend of HK1.95 cents per share for 2014 to the Shareholders. Together with the interim dividend of HK1.95 cents per share distributed during the year, the total dividend for the full year of 2014 is HK3.9 cents per share, which is in line with the Group's dividend policy of maintaining a payout ratio of no less than 25% to reward all investors for their support.

2014 was the 20th anniversary of the establishment of Fu Shou Yuan Group and was also the first year after the listing of the Group. The Group recorded remarkable achievements during the period by leveraging on its capital advantages after listing, advanced operation philosophy and extensive management experience in the death care industry, as well as its proactive business expansion during the year. During the period under review, the Group not only further consolidated and optimized its operations in existing markets but also carried out mergers and acquisitions to map out the overall strategic presence which covers the whole nation. By evaluating the factors such as demographic characteristics, local funeral traditions, the competitive landscape and development stages of the death care services industry, the Group acquired merger and acquisition targets in a systematic and prudent way to prepare for venturing into areas where the Group has not established a presence. In addition, the Group took advantage of the favourable policy which encourages cooperation between the government and social capital to enter into strategic partnerships with local government bodies to invest in and operate local death care enterprises, support local death care reforms and pass on the advanced experience and culture of Fu Shou Yuan. During the period, the Group focused on development in Central and Northeast China and plan to establish nationwide business coverage through the Northeast market and replicate its successful experience to the whole country.

During the period under review, the Group carried out various merger, acquisition and cooperation projects, including the acquisition of Chongqing Baitayuan Funeral and Burial Development Co., Ltd (重慶白塔園殯葬開發有限公司), Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd. (遼寧觀陵山藝術園林公墓有限公司), Zaozhuang Shanting Xingtai Funeral Services Co., Ltd (棗莊市山亭興泰殯儀服務有限公司) and Wuyuan Wanshoushan Lingyuan Co., Ltd (婺源縣萬壽山陵園有限公司); entered into strategic cooperation agreements with the government of Hunnan District, Shenyang City, the government of Fushun City and the government of Jinzhou City, Liaoning Province; and entered into an investment cooperation agreement with Anhui Huaibei City Cemetery (安徽淮北市陵園). In addition, two funeral parlours with cremation facilities were acquired along with these enterprises, which will facilitate the Group to further build up a complete business chain, fill the industrial chain gap and drive the sturdy growth in profitability. Through the above mergers and acquisitions, the Group acquired land with an area of more than 3.2 million square metres in 2014, of which land with certificates represented approximately 780,000 square metres. This success has surpassed the overall achievement of Fu Shou Yuan in its 20 years of development history. The Group will leverage its abundant development sites and cash resources to expand its operations to generate economies of scale and synergy for the Group and its shareholders.

Since becoming one of the first enterprises entering the death care services industry in 1994, Fu Shou Yuan has now become the largest death care services provider in China which provides professional and tailor-made death care services and enjoys a good reputation in 12 cities in the country. The present industry position and brand value of the Group were not only the results of the Group's professional high-quality services and team and insight into the industry and outstanding integration capability but also due to the fact that the green death care, humanities memorial and life undertakings currently engaged by the Group are solidly in line with the pace of urbanization and aging population in the PRC, thus allowing the Group firmly grasp the major trends of modernization, humanity, environmental protection and technology in the death care business in China. During 2014, all local branches of Fu Shou Yuan launched collective tree burial, lawn burial and burial at sea that meet ecological and land conservation purposes. Besides, environmentally friendly and scientific new memorial means such as online memorial were introduced. Such innovative means aroused much social concern and were widely accepted by the society. This facilitated the Group to pursue sustainable development for achieving win-win of profit growth and social benefits.

Over the year since our listing, Fu Shou Yuan has been granted various awards, which include a ranking of 82th, in the "Forbes Top 100 Potential listed Enterprises in China" in recognition of our outstanding performance, and also marked an unprecedented success of becoming the first selected death care enterprise since the release of the list. Apart from this, the Group has been selected as "Ten Best Brands for Innovation of Corporate Culture in Shanghai", awarded the "Silver Prize for Case Appraisal of Excellent Public Relationship in Shanghai" and "Charity Honour Award" by The Community Chest of Hong Kong in the past year, representing the wide recognition from various sectors of the community of our contribution to social charity and our philosophy in corporate culture, which is "to break from tradition, enlighten the future, respect and pay tribute to lives".

As a leader in the death care services industry in the PRC, Fu Shou Yuan has persisted in assuming social responsibility and has upheld Chinese traditional values and cultural heritage. With this sense of responsibility, Fu Shou Yuan continued to walk on the road of charity and organized a series of charitable death care activities. In late 2014, Shanghai Fu Shou Yuan held a collective burial ceremony for the deceased elderly living alone or widowed and extremely poor families, providing the deceased a land of peace. The Group wants to dedicate its efforts in helping those in need in the society by way of humanities memorial so as to let the deceased rest in peace.

Looking ahead, Fu Shou Yuan will make persistent efforts to uphold the Group's development objective and philosophy for 20 years to promote a positive, healthy, civilized and peaceful Chinese culture with people as the basis and culture as the root and contribute in building a harmonious relation with the environment. In 2015, in view of the still immature market regulation, the Group will conduct appropriate and highly cost-effective mergers and acquisitions through large-scale investigations and studies and in strict compliance with laws and regulations. After the acquisitions, by leveraging its quality management and operation, Fu Shou Yuan will proceed with cultural packaging and quality enhancement to increase the added value of the graveyards acquired so as to increase the overall level of quality and quantity of products and services, as well as to make overall headway towards standardization and personalization. The next year will be another year for Fu Shou Yuan to implement ambitious plans and expand its operations. The Group will unleash its market integration potential to generate considerable returns for investors. Meanwhile, being a model enterprise, the Group will continue to lead the modernization reform of the death care business in China, promote the healthy development of the national death care culture in terms of humanity, charity and environmental protection and commit itself to operating Fu Shou Yuan, a living entity that carries memories and emotions, in an appropriate way, so as to reward all investors with the best results.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

"Filial piety" has long been one of the Chinese traditional culture and virtues and also an important base for the existence and development of death care industry in the mainland China. Since taking office, the current government has been actively encouraging people to inherit the gems of Chinese traditional culture, which facilitates the development of modern funeral industry in the mainland China. The accelerated urbanization process and aging population have created large demand for funeral services. As the disposable income per capita in the mainland China increases, the national consumption power for funeral services is also increased. In addition, the funeral services market in the mainland China is highly fragmented and less developed. Each regional market is relatively closed with high level of nationalization. In order to accelerate the transformation of the government's role, the central government actively promoted private capital investment in the reform and upgrading of various public services including the death care services industry during the year, which provided good opportunities for Fu Shou Yuan Group to expand and improve its business across the country as well as the whole death care services industry.

BUSINESS REVIEW

2014 was the first full year of Fu Shou Yuan Group after its listing. As always, we have provided high quality and customized death care services to our customers in order to make them feel the respect and dignity and express their grief and filial piety. Our elaborate and beautiful cemeteries as well as customized services that we strived to provide continued to be widely recognized by our customers.

Leveraging its capital advantages after its listing as well as the advanced operation philosophy and extensive management experience in the death care industry, Fu Shou Yuan Group actively expanded its business and achieved excellent results. In 2014, we added a number of cemeteries and funeral facilities in Shenyang City of Liaoning Province, Chongqing, Nanchang City of Jiangxi Province, Huaibei City of Anhui Province, Zaozhuang City of Shandong Province and Wuyuan City of Jiangxi Province through acquisition of equity, cooperative development, new construction and entrusted management, etc. These new cemeteries and funeral facilities laid a good foundation for the further development of Fu Shou Yuan Group in the coming years.

In the past year, our customers were more desirably satisfied with our constantly innovative services. During the period, we implemented the 020 (online to offline) operation mode jointly with 99xy.net, an online platform serving the senior group, and funeral service providers approved by the Shanghai government. Besides, we provide professional services to the industry by developing new business segments. Following the provision of cemeteries design and construction service in 2014, we are going to introduce environmental-friendly incinerators in the coming year, thereby assisting the industry to enhance their level of service.

The advanced funeral philosophy of Fu Shou Yuan is the crucial factor for our leading position in the PRC death care industry. We have always strived to enhance the cultural connotation and taste of Fu Shou Yuan' products and services. During the process of rapid development of Fu Shou Yuan Group, in order to prevent culture or brand dilution, we established a "Cultural Committee" (文化工作委員會) so as to strengthen our leadership on the implementation of the advanced funeral philosophy of Fu Shou Yuan. Apart from a series of cultural activities promoting "filial piety" and training programs for the industry, we organized an international forum and, invited experts from the US, Australia, Japan and Taiwan to share with their peers in the mainland China in October 2014 to enhance the expertise of the industry and our staff.

Being a service-oriented enterprise, our major competitive strengths lie in our brilliant staff. As such, we continuously optimize our promotion mechanism and recruit calibres so that we are well-positioned for further expansion. During the period, we sub-itemized the mechanism for results assessment by including indexes such as corporate governance, business innovation and personnel trainings in addition to the index for results for the purpose of implementing each and every element for the sustainable development of the Company. In order to further motivate the staff, we adopted the second tranche option incentive scheme in August 2014, to boost the internal cohesiveness.

Moreover, we deepened the internal control system and provided trainings for the staff during 2014 to ensure that the Company can maintain high level of management amid rapid development. We also dedicated efforts in risks management to ensure the stable growth of the Group. In addition, we strengthened our relationship with the investors to let them have a thorough understanding of the development strategies and operating status of the Company and the industry environment, as well as to enhance the transparency of the industry and our Company.

In summary, in 2014, Fu Shou Yuan sold a total of 10,093 tombs and provided 12,692 funeral services and recorded total sales revenue of RMB795.1 million, representing an increase of 30.0% as compared to 2013; total net profit of RMB285.1 million, representing an increase of 50.0% as compared to 2013 and net profit attributable to our shareholders of RMB230.4 million, representing an increase of 37.7% as compared to 2013.

REVENUE

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

	Year ended December 31,			
	2014		2013	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Burial services	673,571	84.7%	523,812	85.6%
Funeral services	109,836	13.8%	87,999	14.4%
Auxiliary services	11,685	1.5%	—	—
Total	795,092	100.0%	611,811	100.0%

Our revenue increased by RMB183.3 million, or 30.0%, from RMB611.8 million for the year ended Decembe 31, 2013 to RMB795.1 million for the year ended December 31, 2014. This increase was primarily driven by a 28.6%, or RMB149.8 million, increase in revenue from burial services, a 24.8%, or RMB21.8 million, increase in revenue from funeral services, and the revenue of RMB11.7 million achieved from our new auxiliary business.

We have been focusing on providing top quality burial and funeral services to our customers and strengthened our sales and marketing effort during the year ended December 31, 2014. As a result, we achieved growth as compared to last year in every location where we operate. In addition, our funeral facilities in Xiamen City of Fujian Province and Ningbo City of Zhejiang Province which commenced business in the middle of year 2013, provided services throughout the full year in 2014 and contributed revenue growth of RMB7.7 million. We completed the acquisition of a cemetery in Chongqing in early August 2014 and another cemetery in Nanchang City of Jiangxi Province in early December 2014. These two cemeteries contributed revenue of RMB8.3 million since the completion of acquisition. Excluding these effects, we achieved organic revenue growth of RMB155.6 million , or 25.4% as compared with the year ended December 31, 2013, from the then existing cemeteries and funeral facilities as at December 31, 2013.

The operation of the auxiliary services commenced in the beginning of 2014 and is currently provided via a subsidiary engaging in the provision of landscaping and design services in Shanghai. Going forward, this segment will also include sale of cremation machines and other products for provision of burial services and funeral services.

Our operations are strategically located in major cities across 9 provinces in the PRC. The following table sets forth a breakdown of our revenue by region for the year under review:

	Year ended December 31			
	2014		2013	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai	474,252	59.6%	371,326	60.7%
Henan	54,453	6.9%	36,638	6.0%
Chongqing	67,732	8.5%	52,060	8.5%
Anhui	84,682	10.7%	67,969	11.1%
Shandong	44,869	5.6%	36,416	5.9%
Liaoning	52,377	6.6%	39,333	6.4%
Fujian	13,526	1.7%	7,685	1.3%
Zhejiang	2,205	0.3%	384	0.1%
Jiangxi	996	0.1%	—	—
Total	795,092	100.0%	611,811	100.0%

BURIAL SERVICES

We derive a substantial portion of our revenue from our burial services, which represented 84.7% (year ended December 31, 2013: 85.6%) of our total revenue for the year ended December 31, 2014. 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, 2014. 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							
	2014				**2013**			
	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	696	269,647	187,674	27.9%	633	256,670	162,472	31.0%
- Artistic	3,783	64,662	244,616	36.3%	2,032	83,427	169,524	32.4%
- Traditional	2,520	47,909	120,730	17.9%	2,068	40,594	83,948	16.0%
- Lawn	755	54,417	41,085	6.1%	952	44,915	42,759	8.2%
- Green	586	10,401	6,095	0.9%	550	10,340	5,687	1.1%
- Indoor	1,753	5,003	8,772	1.3%	1,432	5,583	7,995	1.5%
- Other burial related services	—	—	51,554	7.7%	—	—	41,280	7.9%
	10,093	—	660,526	98.1%	7,667	—	513,665	98.1%
Cemetery maintenance services	—	—	13,045	1.9%	—	—	10,147	1.9%
Total revenue from burial services	10,093	—	673,571	100.0%	7,667	—	523,812	100.0%

We sold 6,369 burial plots, excluding the green burials, indoor burials and a bath of artistic plots with 1,385 units sold to accommodate the tomb relocation funded by local government in Henan Province at RMB8.9 million, for the year ended December 31, 2014, representing 12.0% increased as compared with 5,685 plots sold for the year ended December 31, 2013. This was achieved through acquisition of two new cemeteries by 196 plots, and a combination of enhanced sales and marketing network, continuously services quality improvements, as well as more tailored pricing strategy for different segments. Furthermore, the selling prices of burial plots of each cemetery vary according to local market conditions. Therefore, average selling price for each type of burial plot is affected by change in geographical mix of burial plots sold between the years under review. As a whole, the average selling price of burial plots, excluding the green burials, indoor burials and the above mentioned tomb relocation sale in Henan, increased by approximately 13.9% for the year ended December 31, 2014 as compared with the year ended December 31, 2013.

Upon the completion of acquisition of Chongqing Baitayuan in Chongqing in early August 2014 and Meilin Century Cemetery in Nanchang City in early December 2014, we have eight cemeteries in operation in seven cities as of December 31, 2014, and have been deriving revenue from them. We achieved remarkable growth for the year ended December 31, 2014 as compared to the year ended December 31, 2013 in every cemetery where we operate. 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			
	2014		**2013**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai Fu Shou Yuan	342,956	50.9%	296,743	56.7%
Shanghai Nanyuan	108,934	16.2%	67,049	12.8%
Henan Fu Shou Yuan	54,453	8.1%	36,638	7.0%
Shandong Fu Shou Yuan	44,869	6.7%	36,416	6.9%
Hefei Dashushan Cultural Cemetery	62,247	9.2%	47,633	9.1%
Jinzhou Maoshan Anling	52,377	7.8%	39,333	7.5%
Chongqing Baitayuan	6,740	1.0%	—	—
Meilin Century Cemetery	995	0.1%	—	—
Total revenue from burial services	673,571	100.0%	523,812	100.0%

COST OF SALES AND SERVICES

Cost of sales and services consists primarily of the costs we incur in relation to 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			
	2014		2013	
	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	119,962	75.3%	94,457	78.6%
Funeral services	30,028	18.9%	25,695	21.4%
Auxiliary services	9,269	5.8%	—	—
Total	159,259	100.0%	120,152	100.0%

Our cost of sales and services increased by RMB39.1 million, or 32.5%, from RMB120.2 million for the year ended December 31, 2013 to RMB159.3 million for the year ended December 31, 2014. This increase was primarily due to a 27.0% increase in the cost of sales and services for burial services, a 16.9% increase in the cost of sales and services for funeral services, and a 100% increase in the cost of sales and service for auxiliary services. The increases were mainly due to our business growth in burial and funeral services and launch of the auxiliary services in year 2014.

Our cost of sales and services for burial services includes the following:

	Year ended December 31			
	2014		2013	
	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	44,407	37.0%	33,532	35.5%
Land cost	14,034	11.7%	8,923	9.4%
Development cost	23,815	19.9%	19,246	20.4%
Cemetery maintenance cost	8,993	7.5%	7,769	8.2%
Others	28,713	23.9%	24,987	26.5%
Total	119,962	100.0%	94,457	100.0%

Our cost of sales and services for funeral services represents the various expenditures incurred in relation to providing funeral services, including salaries of operating staff and supervisors, cost of caskets and other ancillary costs.

Our cost of sales and services for auxiliary services represents the various expenditures incurred in relation to providing landscaping and design services, including staff costs, outsourcing costs, and materials purchased.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, our gross profit increased by approximately RMB144.2 million, or 29.3%, from approximately RMB491.7 million for the year ended December 31, 2013 to approximately RMB635.8 million for the year ended December 31, 2014. We maintained a relatively high and stable gross profit margin as we have been committing to delivering the highest quality of service in the death care services industry in the PRC. We marketed our services as premium services and our Fu Shou Yuan brand allowed us to obtain a price premium over other death care services providers. Both our gross profit margins for burial services and funeral services remained relatively stable. Our overall gross profit margin achieved was 80.0% for the year ended December 31, 2014 while the overall gross profit margin for the year ended December 31, 2013 was 80.4%. This was mainly due to the effect of relatively lower margin of our newly launched landscaping and design business. 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			
	2014		2013	
	Gross Profit (RMB'000)	*Gross Profit Margin (%)*	*Gross Profit (RMB'000)*	*Gross Profit Margin (%)*
Burial services	553,609	82.2%	429,355	82.0%
Funeral services	79,808	72.7%	62,304	70.8%
Auxiliary Services	2,416	20.7%	—	—
Total	635,833	80.0%	491,659	80.4%

OTHER INCOME AND GAINS, NET

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

	Year ended December 31	
	2014	2013
	(RMB'000)	*(RMB'000)*
Interest income	54,491	6,294
Gain on deemed disposal of associates	—	16,428
Government grant	—	5,431
Compensation	—	3,952
Exchange gain (loss)	4,433	(2,256)
Others	(796)	(417)
Total	58,128	29,432

Our interest income increased by RMB48.2 million from RMB6.3 million for the year ended December 31, 2013 to RMB54.5 million for the year ended December 31, 2014, mainly due to the significantly higher average bank deposits balance as a result of our Global Offering and better interest rate achieved from the bank for such deposits during the year.

We recorded exchange gain of RMB4.4 million for the year ended December 31, 2014, as a result of appreciation of Hong Kong dollar and US dollar during the year.

The government grant in the amount of RMB5.4 million for the year ended December 31, 2013 represented unconditional tax subsidies from the local government to encourage economic development. We did not receive such grant from government for the year ended December 31, 2014.

DISTRIBUTION AND SELLING EXPENSES & ADMINISTRATIVE EXPENSES

Our operating expenses, accounting for 43.9% of our total revenue for the year ended December 31, 2014 (37.4% for the year ended December 31, 2013), increased by RMB120.1 million, or 52.5%, from RMB228.9 million for the year ended December 31, 2013 to RMB349.1 million for the year ended December 31, 2014. The increase was mainly as the result of: (i) higher variable expenditures to support the business growth, (ii) higher staff costs due to the effect of amortization of expenses for the pre-IPO options granted in August 2013 and post IPO options granted in August 2014, annual salary adjustment and new hiring to support business growth and expansion, and (iii) extra expenditures to maintain as a public company since our IPO in December 2013.

OTHER EXPENSES

Other expenses of RMB26.5 million for the year ended December 31, 2013 represented the expenditures incurred, but not capitalized, for our Global Offering in year 2013, while there are no such expenses incurred during the year ended December 31, 2014.

FINANCE COSTS

Finance costs for the year ended December 31, 2014 consist of interest expense of RMB2.9 million on bank loans, interest expenses of RMB3.2 million on loans from non-controlling interests, while exclude the capitalized interest of RMB2.4 million on borrowings used for construction in progress.

Interest expense on loans from non-controlling interests refers to our interest expense in connection with: (i) 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; and (ii) the loans borrowed by our subsidiary, Meilin Century Cemetery, from

Nanchang Municipal Public Investing & Holding Co., Ltd. before our acquisition to pay off its debt. Nanchang Municipal Public Investing & Holding Co., Ltd. is one of the minority shareholders of our subsidiary, Nanchang Hongfu. We plan to pay off this borrowing in year 2015.[(1)]

INCOME TAX EXPENSE

Under 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 year with the exception of Chongqing Anle Services and Chongqing Anle Funeral Services, which were subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions. We also received considerable interest income, as discussed above, on bank deposits by our subsidiary in Hong Kong, where such income is free from any income tax according to the Hong Kong tax rules. Furthermore, we have also reversed certain prior year tax provisions as the tax uncertainties of which have been resolved in the current year under review. Mainly for the above reasons, the income tax expense decreased by approximately RMB14.2 million, or 20.1%, from approximately RMB70.3 million for the year ended December 31, 2013 to approximately RMB56.1 million for the year ended December 31, 2014. Our effective corporate income tax rates for the year ended December 31, 2014 significantly decreased to 16.5%, from that of 27% for the year ended December 31, 2013.

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 RMB63.1 million, or 37.7%, from approximately RMB167.3 million for the year ended December 31, 2013 to approximately RMB230.4 million for the year ended December 31, 2014. This increase was primarily due to (i) our strong revenue growth in our existing cemeteries and funeral facilities; and (ii) lower effective corporate income tax rate for the period. The increase was however partially offset by the increased operating expenses directly related to the business growth, additional resources deployed to support the Group's extensive effort in acquisition activities, amortization of expenses in connection with options granted in August 2013 and 2014, and extra expenditures to main as a public company since our Global Offering.

(1) Pursuant to Rule 14A.09(1)(b) of the Listing Rules, Nanchang Hongfu is considered an "insignificant subsidiary" of the Company. Therefore, the loans borrowed by Meilin Century Cemetery was exempted from the connected transaction requirements.

CASH FLOW

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

	Year ended December 31	
	2014	**2013**
	(RMB'000)	*(RMB'000)*
Net cash generated from (used in)		
- operating activities	298,952	161,681
- investing activities	(480,108)	(5,142)
- financing activities	(66,099)	1,100,613
Total	(247,255)	1,257,152

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, 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, 2014, our net cash generated from operating activities amounted to approximately RMB299.0 million. It mainly included the operating cash inflows before movement in working capital of approximately RMB342.6 million and the decrease of other working capital of approximately RMB22.9 million, but partially offset by income tax paid of approximately RMB66.6 million.

For the year ended December 31, 2014, our net cash used in investing activities was approximately RMB480.1 million. It was primarily due to: (i) considerations and deposits of RMB445.1 million paid to acquire new cemeteries and funeral facilities, (ii) our additions to and deposits for property and equipments of approximately RMB77.4 million, mainly in connection with the construction of factory and production line set-up for manufacturing cremation machines by our subsidiary, Anhui Zhongfude, and with the cemetery landscaping upgrade in Jinzhou Maoshan Anling, and (iii) an entrusted loan amounting to RMB12.0 million to a third party who is the business partner for a future project with us. It was partially offset by the interests received during the year, amounting to approximately RMB53.6 million, as a result of increased bank balances mainly due to our Global Offering last year.

Our net cash used in financing activities amounted to approximately RMB66.1 million for the year ended December 31, 2014. It was primarily due to: (i) dividends paid to owners of the Company of RMB159.5 million related to pre-IPO profits and of interim dividends of RMB32.1 million for the year ended December 31, 2014, (ii) dividends paid to non-controlling interests of approximately RMB40.8 million, (iii) payment of unsettled Listing related expenses of approximately RMB10.4 million, (iv) our net decrease of bank and other borrowings of approximately RMB4.1 million, and (v) interest paid of approximately RMB4.0 million for our borrowings. The amount was partially offset by the proceeds of approximately RMB184.8 million received from the issuance of 75 million new shares as a result of the exercise of over-allotment option.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2014, we had bank balances and cash of approximately RMB1,296.8 million, primarily due to the net proceeds from our Global Offering of 500 million new Shares in December 2013 and another 75 million new Shares In January 2014. 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 RMB35.0 million as at December 31, 2014, that are wholly repayable within one year. We had bank borrowing facilities of approximately RMB200 million committed but not withdrawn as at December 31, 2014. These borrowings were denominated in Renminbi and were subject to floating interest rates ranged from 6% to 7.2% per annum. Meanwhile, Shandong FSY Development, one of our subsidiaries, had an outstanding loan balance of approximately RMB38.2 million with interest rate of 7.8% per annum, without specific repayment schedule, from its non-controlling shareholder, Shandong World Trade Centre. Meilin Century Cemetery, a cemetery held by one of our indirect, non wholly-owned subsidiaries, Nanchang Hongfu, had an outstanding loan balance of approximately RMB21.4 million with interest rate of 12% per annum, repayable within one year, from Nanchang Municipal Public Investing & Holding Co., Ltd., the non-controlling shareholder of its direct holding company.

GEARING RATIO

Gearing ratio is total borrowings divided by total equity at the end of each financial year multiplied by 100%. Our gearing ratio as of December 31, 2014 was 4.3%. Our operation has been lightly leveraged because of our good operating cash generating capability. Although we expect that our capital expenditure in year 2015 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 Renminbi. However, certain bank balances are denominated in foreign currencies, which exposes us to foreign currency risk. As at December 31, 2014, cash and cash equivalents held in Renminbi, Hong Kong dollars and US dollars accounted for approximately 87.1%, 10.7% and 2.2% respectively, of the total cash and cash equivalents. 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. Whilst the Group currently does not have a foreign currency hedging policy, the management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended December 31, 2014, we completed following two acquisitions:

In early August 2014, we completed to acquire 60% equity interest in Chongqing Baitayuan, a cemetery with 306,212 sq.m. of land offering premium burial and funeral services, by way of initial capital injection of RMB44.69 million and subsequent equity acquisition with a consideration of RMB66 million. It also enables us to gain access to the cremation market as Chongqing Baitayuan has been in collaboration with the local government to construct a cremation facility to carry out cremation activities, which are under the remit of the government and are historically dominated by the state-owned entities.

In early December 2014, we completed the acquisition of 100% equity interest in Meilin Century Cemetery via Nanchang Hongfu, by way of taking all its outstanding liabilities of approximately RMB65 million. Meilin Century Cemetery owns 59,067 sq.m. of land and 6,363 sq.m. of columbarium offering premium burial services.

We also entered following transaction agreements to acquire subsidiaries during the year ended December 31, 2014:

On November 13, 2014, we entered into an agreement to acquire a 70% equity interest in Liaoning Guanlingshan Cultural Landscape Cemetery for a cash sum of RMB279.3 million through equity interest subscription. Liaoning Guanlingshan Cultural Landscape Cemetery holds parcels of land for cemetery development and woodland purposes measuring approximately 3,494 mu (approximately 2,329,333 sq.m) in total. It is one of the market leaders in terms of market shares for the burial services provided in the cities of Shenyang (瀋陽), Tieling (鐵嶺) and Fushun (撫順) in Liaoning Province. The transaction was completed in early January 2015.

On December 18, 2014, we entered into an agreement to acquire all the interests in Shanting Xingtai from its existing shareholders for a cash sum of RMB59.8 million. Shanting Xingtai will mainly provide burial services and occupies approximately 266,664 sq.m of land. Out of which, Shanting Xingtai has obtained the right to develop a site measuring 64,025 sq.m from the Civil Affairs Administration Bureau of Shanting District in the city of Zaozhuang (棗莊市山亭區民政局). A further site measuring approximately 202,639 sq.m is currently in the process of applying for land use right. In view of the anticipated deferral in obtaining the relevant government approvals and permits in the PRC, we entered into a supplemental agreement with the existing shareholders of Shangting Xingtai on February 9, 2015 to amend the remaining consideration condition to the agreement. For further details, please refer to the announcement published by the Company on February 9, 2015. The transaction is expected to be completed by mid 2015.

On the same day, we entered into another agreement to acquire 75% equity interest in Wanshoushan Linyuan from its existing shareholders for a cash consideration of RMB40 million. Wanshoushan Lingyuan mainly provides burial services, funeral services and cremation services. Wanshoushan Lingyuan holds land use right to a site measuring approximately 164,000 sq.m in Wuyuan County (婺源縣), Jiangxi province. Wanshoushan Lingyuan is currently the only service provider, granted with a licence for cremation, for funeral services and cemetery operation within the Wuyuan County. The transaction was completed in early February 2015.

On August 28, 2014, we entered into a cooperation agreement with Huaibei Funeral Service Center (淮北市殯葬服務中心) to cooperatively develop Fangshan Cemetery Phase II. Pursuant to which, we will invest RMB30 million on the land of approximately 135,761 sq.m. owned and provided by Huaibei Funeral Service Center to develop the cemetery. We will share the 51% net results from the cooperation.

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2014, we had 1,307 full-time employees stationed in 11 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.

CAPITAL COMMITMENT

We had contracted but not provided in the financial statements, for the capital expenditures in respect of acquisition of subsidiaries, land, property and equipment in an amount of approximately RMB111.6 million as at December 31, 2014. We had also authorized RMB30.2 million for the acquisition of parcels of land in Nanchang City, Jiangxi Province, by our Subsidiary there, Nanchang Hongfu.

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

ASSETS PLEDGED

As at December 31, 2014, we pledged buildings with carrying values of approximately RMB6.0 million to secure certain bank borrowings granted to us. Except for that, no other assets were pledged or charged.

CONTINGENT LIABILITIES

As of December 31, 2014, we did not have any contingent liabilities.

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. For the year under review, we expended land of approximately 20,690 sq.m. to generate revenue from sale of burial plots. However, our total saleable area increased by approximately 415,060 sq.m. during the year because of the following reasons: (i) We completed the acquisition of two subsidiaries, Chongqing Baitayuan and Meilin Century Cemetery; (ii) Nanchang Hongfu obtained a parcel of land measuring approximately 133,400 sq.m. and (iii) Huaibei Funeral Service Center agreed to provide us a parcel of land of approximately 135,761 sq.m. to cooperatively develop Fangshan Cemetery Phase II.

The below table sets forth the saleable area in each of our cemetery as at December 31, 2014:

	Saleable Area *(sq.m.)*
Shanghai Fu Shou Yuan	189,344
Haigang Fu Shou Yuan	52,881
Henan Fu Shou Yuan	214,825
Shandong Fu Shou Yuan	437,651
Hefei Dashushan Cultural Cemetery	41,330
Jinzhou Maoshan Anling	16,606
Chongqing Baitayuan	161,573
Meilin Century Cemetery	36,252
Hongfu Human Culture Memorial Park	108,148
Fangshan Cemetery Phase II	129,114
Total	1,387,724

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. Such estimation may be updated from time to time as our development plan may be improved from time to time. We currently expect the remaining land available at our existing cemeteries to be able to sustain our 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 taken up in year 2014.

COMPLIANCE

The Group has emphasized with utmost importance on maintaining sound internal control. The independent internal control adviser engaged by us at the beginning of the year together with the professional personnel designated for the internal control centre have conducted a review on the internal control of the branches and subsidiaries of the Group within the past 12 months. The Group has not identified any material internal control issues which need to be rectified. The Group maintained effective internal control in all material aspects. The independent internal control advisor and the function department of internal control are required to make corrective measures in respect of individual incidents identified and were responsible for following up and subsequent audit in order to ensure matters identified were settled through adopting proper actions or measures.

Below is the latest information on the measures adopted by the Group for the period from the date of the 2013 annual report to the date of 2014 Annual Report to prevent future non-compliance as set out in the section headed "Business — Compliance — Measures Adopted to Prevent Future Non-compliance" in the Prospectus:

(i)	Cash management and lending to third parties	The cash pooling system of the Company has started operation, except for 4 joint venture companies and affiliated companies, all subsidiaries of the Group in the PRC have been included in this system. We have also strengthened internal control measures in the companies which have not been included in the cash pooling system in order to ensure that funds will not be used for non-compliance matters. We will continually conduct internal reviews on regular basis in order to monitor the effectiveness of such measures.

(ii)	Owned and leased properties	During the reported period, we have obtained the title certificates for properties of Haigang Fu Shou Yuan as disclosed in the relevant section of the Prospectus. As of the date of this Annual Report, we have not received any request for compulsory demolition of owned properties as set out in the relevant sections of the Prospectus. We still need to continue following on issues of the remaining 4 leased properties which are not material to our operation.
(iii)	Shareholder loan of Shangdong FSY Development	As of the date of this Annual Report, we have not received approval from Shangdong SASAC in connection with the Loan Capitalization Transaction nor any other proposals to repay the loan. We would continue to liaise with the parties concerned to address the issue.

The Group would like to report that as mentioned in its 2014 interim report, it has maintained regular communication with its PRC legal advisor, Hong Kong legal advisor and compliance advisor as to its operations and the compliance with the relevant rules and regulations. We have already appointed an independent internal control consultant to monitor the Group's internal control system.

PROSPECTS

In 2015, in view of the still immature market regulation, the Group will conduct appropriate and highly cost-effective mergers and acquisitions through large-scale investigations and studies and in strict compliance with laws and regulations. After the acquisitions, by leveraging its quality management and operation, Fu Shou Yuan will proceed with cultural packaging and quality enhancement to increase the added value of the graveyards acquired so as to increase the overall level of quality and quantity of products and services, as well as to make overall headway towards standardization and personalization. The next year will be another year for Fu Shou Yuan to implement ambitious plans and expand its operations. The Group will unleash its market integration potential to generate considerable returns for investors. Meanwhile, being a model enterprise, the Group will continue to lead the modernization reform of the death care business in China, promote the healthy development of the national death care culture in terms of humanity, charity and environmental protection and commit itself to operating Fu Shou Yuan, a living entity that carries memories and emotions, in an appropriate way, so as to reward all investors with the best results.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2014.

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. As of December 31, 2014, we had used approximately HK$45.6 million to acquire new lands, approximately HK$557.6 million, including certain funds from our daily operation, for mergers and acquisitions of other cemeteries and funeral facilities in the PRC, and approximately HK$14.0 million to expand our sales network. The remaining of the net proceeds are intended to be applied in the manner consistent with that set out in the Prospectus.

ANNUAL GENERAL MEETING

The AGM will be held on May 14, 2015 and the notice of AGM is expected to be published and despatched to the Shareholders on or about April 13, 2015.

FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK1.95 cents per Share for the year ended December 31, 2014 (2013: Nil), which is subject to the approval by the Shareholders at the AGM. .

CLOSURES OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Tuesday, May 12, 2015 to Thursday, May 14, 2015, both days inclusive. During the above 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 and transfer office 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 11, 2015.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Thursday, May 21, 2015 to Friday, May 22, 2015, both days inclusive. During the above period, no transfer of Share will be registered. In order to qualify for the entitlement to the proposed final dividend, subject to the approval of the Shareholders at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office 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 Wednesday, May 20, 2015.

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 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 year ended December 31, 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' dealings in securities of the Company. The Company has made specific enquiry to all the Directors, each of them confirmed that they have complied with the required standards of dealing as set out in the Model Code throughout the year ended December 31, 2014.

To comply with the code provision A.6.4 of the CG Code, the Company has also established and adopted a code of conduct regarding its 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 in relation to the Company or its securities because of their offices or employments.

No incident of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company throughout the year ended December 31, 2014.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee, 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 of the Company the accounting principles and policies adopted by the Group, this annual results and the consolidated financial statements of the Group for the year ended December 31, 2014.

PUBLICATION OF ANNUAL RESULTS AND 2014 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsygroup.com). The 2014 annual report 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*(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
"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
"Chongqing Baitayuan"	Chongqing Baitayuan Funeral and Burial Development Co., Ltd.* (重慶白塔園殯葬開發有限公司), a limited company established in the PRC. It is an indirect non-wholly owned subsidiary of the Company

"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. It is an indirect wholly-owned subsidiary of the 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. It is an indirect wholly-owned subsidiary of the 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 the Company
"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
"Fangshan Cemetery Phase II"	A cemetry in Huaibei City of Anhui Province jointly developed by the Company and Huaibei Funeral Service Center* (淮北市殯葬服務中心). For further details, please refer to the announcement published by the Company on August 28, 2014
"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)

"Hefei Dashushan Cultural Cemetery"	Hefei Dashushan Cultural Cemetery is operated by Hefei Dashushan Culture Cemetery Co., Ltd.* (合肥大蜀山文化陸園有限公司), a company established in the PRC on February 22, 2002. It is an indirect non wholly-owned subsidiary 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
"Hongfu Human Culture Memorial Park"	A cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu, an indirect, non-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 Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Meilin Century Cemetery"	A cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu, an indirect, non-wholly owned subsidiary of the Company
"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有限公司), a company established in the PRC on November 17, 2009. It is an indirect, non-wholly owned subsidiary of the Company
"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 thirdparty and a 50% shareholder of Shandong FSY
"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 18, 2015

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.