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, 2015

2015 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the year ended December 31, 2015 amounted to approximately RMB1,108.0 million, representing an increase of approximately 39.3% compared with the year ended December 31, 2014.
- Profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB284.4 million, representing an increase of approximately 23.5% compared with the year ended December 31, 2014.
- Basic earnings per Share amounted to approximately RMB13.7 cents, representing an increase of approximately 23.4% compared with the year ended December 31, 2014.
- The Board proposed a final dividend of HK2.39 cents per Share for the year ended December 31, 2015.

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, 2015 together with the comparative figures for the year ended December 31, 2014 as set out below. The consolidated results are audited and have been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	NOTES	**2015**	**2014**
		RMB'000	*RMB'000*
Revenue	4	1,107,960	795,092
Cost of sales and services		(248,161)	(159,259)
Gross profit		859,799	635,833
Other income and gains, net	5	63,183	58,128
Distribution and selling expenses		(205,442)	(149,394)
Administrative expenses		(250,135)	(199,680)
Finance costs		(7,799)	(3,679)
Profit before taxation		459,606	341,208
Income tax expense	6	(94,437)	(56,149)
Profit and total comprehensive income for the year		365,169	285,059
Profit and total comprehensive income attributable to:			
Owners of the Company		284,444	230,372
Non-controlling interests		80,725	54,687
		365,169	285,059
		RMB cents	RMB cents
Earnings per share - Basic	7	13.7	11.1
- Diluted	7	13.3	10.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	NOTES	**2015**	**2014**
		RMB'000	*RMB'000*
Non-current assets			
Property and equipment	8	361,314	271,304
Intangible assets		14,388	13,709
Prepaid lease payment		20,029	13,174
Deposits paid for acquisition of land use rights		60,157	—
Cemetery assets	9	1,048,331	628,648
Restricted deposits		28,632	23,730
Investment in a joint venture		30,000	30,000
Deposit for acquisition of subsidiaries		38,001	293,800
Other long-term assets		14,400	—
Deferred tax assets	16	29,523	33,723
Goodwill	10	267,661	94,459
		1,912,436	1,402,547
Current assets			
Inventories	11	339,522	215,733
Trade and other receivables		34,846	20,083
Bank balances and cash	12	1,276,761	1,296,757
		1,651,129	1,532,573
Current liabilities			
Trade and other payables	13	277,908	258,437
Deferred income	15	15,694	13,097
Loan from non-controlling interests		—	21,396
Income tax liabilities		126,059	122,846
Borrowings	14	63,450	34,950
		483,111	450,726
Net current assets		1,168,018	1,081,847
Total assets less current liabilities		3,080,454	2,484,394

	NOTES	2015	2014
		RMB'000	RMB'000
Non-current liabilities			
Deferred income	15	198,450	166,545
Loans from non-controlling interests		38,173	38,173
Borrowings	14	104,020	—
Deferred tax liabilities	16	90,042	67,364
		430,685	272,082
Net assets		2,649,769	2,212,312
Capital and reserves			
Share capital		126,601	125,689
Reserves		2,109,328	1,857,584
Equity attributable to owners of the Company		2,235,929	1,983,273
Non-controlling interests		413,840	229,039
Total equity		2,649,769	2,212,312

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited 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 have been listed on the Stock Exchange since 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

The Group has applied the following amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board ("IASB") for the first time in the current year.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

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:

	2015	**2014**
	RMB'000	*RMB'000*
Burial Services		
Sale of burial plots		
Customized burial (note (a))	214,468	187,674
Artistic burial (note (b))	357,016	244,616
Traditional burial	232,944	120,730
Lawn burial (note (c))	49,590	41,085
Green burial (note (d))	12,860	6,095
Indoor burial	11,804	8,772
Other burial-related services (note (e))	65,492	51,554
Cemetery maintenance services	16,002	13,045
	960,176	673,571
Funeral services	140,124	109,836
Auxiliary services	12,352	11,685
Inter-segments elimination	(4,692)	—
	1,107,960	795,092

Notes:

(a) Customized burial refers to burial plots that the customers are able to fully personalize and customize, among others, the location, size and design and layouts of the burial plots, and the types and styles of memorials and decorative items to be used.

(b) Artistic burial, which allows the customers to choose from an extensive range of pre-designed and pre-fabricated memorials to be used on burial plots that are uniformed in size and landscape.

(c) Lawn burial refers to burial plots situated on the well-kept lawns with flower beds and/or gravemarkers at the head. The customers are able to choose the location of the lawn burial plots and may add photographs and/or inscriptions onto the gravemarkers.

(d) Green burial refers to environmental friendly and space saving burial plots, under natural gravemarkers such as fieldstones, trees and flower beds, or interred into low rising wall in respective cemeteries.

(e) Other burial-related services represent revenues from miscellaneous services such as the organization and conducting of burial rituals, the design of the tombstone, the trading of flower and additional engraving fees.

Geographical information

The following table sets forth a breakdown of the Group's revenue from burial services and funeral services by region:

	2015	**2014**
	Revenue	**Revenue**
	RMB'000	*RMB'000*
Shanghai	555,516	462,567
Henan	64,450	54,453
Chongqing	90,869	67,732
Anhui	102,891	84,682
Shandong	44,825	44,869
Liaoning	189,135	52,377
Jiangxi	27,337	996
Fujian	21,626	13,526
Zhejiang	2,784	2,205
Jiangsu	867	—
	1,100,300	783,407

5. OTHER INCOME AND GAINS, NET

	2015	2014
	RMB'000	*RMB'000*
Interest income	39,329	54,491
Government grants	15,101	—
Management service income	3,984	—
Exchange gain	5,624	4,433
Others	(855)	(796)
	63,183	58,128

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, Chongqing Anle Funeral Services and Chongqing Baitayuan, which were subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions.

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain.

FSY Hong Kong is subject to Hong Kong profit tax at a rate of 16.5%. No Hong Kong profit tax has been provided as the Group did not have assessable profit earned in or derived from Hong Kong during the years ended December 31, 2015 and 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:

	2015	**2014**
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	284,444	230,372
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,079,149,479	2,073,150,685
Effect of dilutive potential ordinary shares:		
Share options	51,931,665	37,619,750
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,131,081,144	2,110,770,435

8. PROPERTY AND EQUIPMENT

	2015	**2014**
	RMB'000	*RMB'000*
Buildings	197,818	97,942
Leasehold improvements	10,239	4,104
Furniture, fixtures and equipment	25,431	9,836
Motor vehicles	17,391	14,308
Construction in progress	110,435	145,114
	361,314	271,304

9. CEMETERY ASSETS

	2015	**2014**
	RMB'000	*RMB'000*
Land costs	664,717	467,594
Landscape facilities	151,478	55,089
Development cost	232,136	105,965
	1,048,331	628,648

The land costs 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.

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 cost is provided on a straight-line basis over the estimated useful life (same as land costs over the lease terms).

Upon commencement of development of an area within the cemetery, the proportionate cemetery assets are transferred to inventory.

10. GOODWILL

The carrying amounts of goodwill as at December 31, 2015 and 2014 arose from the acquisition of following subsidiaries:

	2015	**2014**
	RMB'000	*RMB'000*
Haigang Fu Shou Yuan	9,595	9,595
Jinzhou Maoshan Anling	3,738	3,738
Henan Fu Shou Yuan	14,769	14,769
Chongqing Baitayuan	47,458	47,458
Meilin Century Cemetery	18,899	18,899
Guanlingshan Cultural Cemetery	47,245	—
Wuyuan Wanshoushan Cemetery	36,107	—
Anyang Tianshouyuan Cemetery	2,425	—
Changzhou Qifengshan Cemetery	87,425	—
	267,661	94,459

11. INVENTORIES

	2015	**2014**
	RMB'000	*RMB'000*
Burial Plots	237,530	149,957
Tombstone	81,063	55,052
Others	20,929	10,724
	339,522	215,733

12. BANK BALANCES AND CASH

Bank balances and cash of the Group denominated in RMB, HK$ and US$ carry variable-rate interest as follows:

	2015	2014
Interest rate per annum		
- RMB	0.35%-4.25%	0.35%-4.80%
- HK$	0.01%	0.01%
- US$	0.05%	0.10%

The bank balances and cash that are denominated in currencies other than RMB are set out below:

	2015	2014
	RMB'000	*RMB'000*
HK$	72,280	138,208
US$	30,781	28,879
	103,061	167,087

13. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	99,405	92,110
Advances and deposits from customers	31,221	45,879
Payables for acquisition of property and equipment	1,380	5,664
Salary, welfare and bonus payables	85,273	77,245
Other accrued expenses	13,909	8,952
Consideration for acquisition of subsidiaries	11,140	12,196
Others	35,580	16,391
	277,908	258,437

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

	2015	2014
	RMB'000	*RMB'000*
0 - 90 days	41,981	32,748
91 - 180 days	19,025	12,009
181 - 360 days	19,875	23,277
Over 361 days	18,524	24,076
	99,405	92,110

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

14. BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Bank borrowings		
- Secured by the Group's assets	—	29,950
- Secured by the Group's equity interest in subsidiaries	122,520	—
- Guaranteed by an independent third party	5,000	5,000
- Unsecured	39,950	—
	167,470	34,950
The carrying amounts of the above borrowings are repayable:		
Within one year	63,450	34,950
More than one year, but not exceeding two years	20,500	—
More than two years but not more than five years	59,660	—
More than five years	23,860	—
	167,470	34,950

The bank borrowings carried interest at 4.60% to 6.61% per annum (2014: 6.00% to 7.20%).

15. 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.

16. DEFERRED TAXATION

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

	2015	**2014**
	RMB'000	*RMB'000*
Time difference for certain accruals and liabilities	25,357	33,249
Unused tax losses	4,166	474
Fair value adjustment	(90,042)	(67,364)
	(60,519)	(33,641)

17. DIVIDENDS

During 2015, the Company has declared and paid the final dividends of HK1.95 cents per share for 2014 and interim dividends of HK2.39 cents per share for 2015, totally amounting to approximately RMB72.9 million.

On March 18, 2016, a final dividend in respect of 2015 of HK2.39 cents per share was proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the 2015 full-year results of the Group.

In 2015, the Group continued to expand the business presence of its core business across the country. Although China's economic growth has slowed down, the core business still managed to achieve robust growth due to the relatively limited impact of the economic cyclical fluctuation on the death care industry, the Group's successful execution of its business expansion strategy and the continuous improvement of its internal management. During the Year Under Review, the Group recorded satisfactory results with its revenue reaching RMB1,108.0 million, representing an increase of 39.3% compared with 2014 (2014: RMB795.1 million). The gross profit margin of the Group was 77.6% (2014: 80.0%). Net profit was RMB365.2 million, representing an increase of 28.1% compared with 2014 (2014: RMB285.1 million), of which profit and total comprehensive income attributable to shareholders was RMB284.4 million, representing an increase of 23.5% compared with 2014 (2014: RMB230.4 million).

The Board proposes a final dividend of HK2.39 cents per share for 2015 to the Shareholders. Together with the interim dividend of HK2.39 cents per share distributed during the year, the total dividend for the full year of 2015 is HK4.78 cents per share, which is in line with the Group's committed dividend policy to reward all investors for their support.

During the Year Under Review, the Group further stepped up its development efforts in core business and actively expanded its business coverage. Currently, cemeteries and funeral facilities controlled by the Group span 15 cities throughout the PRC. In 2015, the Group contracted and completed the acquisitions of Changzhou Qifengshan Cemetery (常州棲鳳山陵園) and Anyang Tianshouyuan Cemetery (安陽天壽園), and entered into a cooperation agreement with the government-operated funeral home of Dafeng City in Jiangsu Province in relation to the joint establishment of Dafeng Funeral Service Center. In 2014, the Group entered agreements to acquire Guanlingshan Cultural Cemetery (觀陵山藝術陵園) and Wuyuan Wanshoushan Cemetery (婺源萬壽山陵園), and such acqusitions were also completed in 2015. Those projects which were acquired successively since 2014 have started to bring in remarkable benefits to the Group, contributing sales revenue of RMB184 million during the Year Under Review, accounting for 16.6% of total sales revenue of the Group. During the year, in response to China's policies to promote Public-Private-Partnership (PPP) model, the Group has also successfully made significant inroads into the market in Shandong Province. We believe that our unprecedented move of supplementing the government and private cooperation on "Build-Operate-Transfer" ("BOT") model to build funeral home, together with joint development of cemeteries, will set a good example for implementing strategic cooperation agreements with other local governments and will facilitate further breakthroughs in strategic cooperation of the Group with local governments in the PRC in the future. The Group has completed the construction of the production base for environment-friendly cremation machines in Guangde City in Anhui Province during 2015. Preparation work for mass production and sales progressed according to plan. It is believed that such cremation machines business will make considerable contribution to the business growth of the Group in the foreseeable future.

During the Year Under Review, the Group has set up "Fu Shou Yuan Life Service College (福壽園生命服務學院)", to promote life education in in all aspects, cultivate our culture among staff, and enhance the promotion of corporate culture. The college will nurture a huge number of staff who recognize Fu Shou Yuan culture, in keeping our human resources development aligned with our acquisition and expansion.

Meanwhile, the Group has carried out multi-faceted strategic cooperation comprehensively to provide strong support to the leap-frog development of its business. During the Year Under Review, the investment in the Group by Sunshine Life Insurance Co., Ltd.* (陽光人壽保險股份有限公司) has optimized the equity structure of the Group and led the Group to further develop in terms of scale, diversity and penetration. The Group has also entered into a strategic cooperation with Service Corporation International ("SCI") of the United States, whereby both parties will join hands to propel development of the death care industry in the PRC and around the world. In addition, the Group has entered into strategic cooperation agreements with numerous banks in the PRC through which credit facilities and financial service support were secured so that the Company can strengthen its partnership with banks and diversify its financing channels. Such multi-level strategic cooperation has further strengthened the Group's capital base, unlocked more market opportunities and strengthen its brand, and in turn enabled Group to pursue diversified development and more rapid growth in the future.

The Group maintained healthy development along its organic and extensive growth path. It is only with the unwavering support from all sectors of the society and each of our staff, that we can achieve our goals and accomplish today's achievements. I would like to take this opportunity, on behalf of the Board, to thank all shareholders, business partners and customers of the Company for their trust and support. Looking forward to year 2016, the Group will leverage its leading business strength, consolidation capability and capital strength to shore up its core competence and service standards while expanding the business scope of the Group to promote the

Group’s cutting-edge branding experience across the country. It will further increase the Group’s brand value and promote modernized integration of China’s death care industry in a comprehensive way. In addition, the Group will, in addition to extending its business presence, implement more stringent integration and management on its acquired subsidiaries in order to create more synergistic effect with such subsidiaries to lay a solid foundation for the steady and sustainable growth in both business and revenue. The Group will continue to leverage on better corporate governance, management structure and prudent financial strategy to push forward its people-oriented development ideology which takes its root in culture. The Group will continue to pursue win-win strategy by delivering social benefits whilst seeking profit growth. It will continue to step up its efforts in supporting charity, implanting the culture of humanity, developing environmental-protection cause and cultivating the unique culture of the Group, which in turn will maximize value and create best return for our shareholders.

MARKET OVERVIEW

“Filial piety” has long been China’s traditional culture and virtue, which serves as the back bone for the death care industry to subsist and develop in the PRC. The Group currently focuses on the death care service market in the PRC which for its huge population base and the cultural heritage of “filial piety”, has developed into the largest death care market in the world.

The increasing disposable income per capita in the PRC, strong promotion by the government on Chinese traditional culture and virtue, accelerating pace of urbanization and aging population, have generated huge demand on death care services, enabling the death care service industry in the PRC to develop into one of the industries where the growth is fairly predictable and moderate. Although the economic growth of the PRC has slowed down, the death care industry is relatively less affected by economic cyclical fluctuations and the driving factors are still driving the development of the death care industry in the PRC.

BUSINESS COMMENTARY

The Group is the largest death care services provider in the PRC. The Group strives to develop cemeteries into urban cultural parks, upgrades traditional death care industry into modern service industry that caters to customers’ needs, and provides customized services and a richer selection to customers. We respect and serve for lives, help our customers vent their grief and find their emotional attachment, and honor the final journey of life with inherent equality and dignity. In 2015, the Group has as always continued to put efforts into the landscaping and cultural constructions of existing cemeteries, improve service quality, and explore new service products and models proactively. The beautiful cemeteries meticulously constructed by us and the customized services that we strived to provide continued to gain wide recognition from our customers.

Leveraging its capital strength after Listing as well as the advanced operation philosophy and extensive management experience in the death care industry, the Group actively expanded its business and achieved excellent results. In 2015, we completed the acquisition of Guanlingshan Cultural Cemetery, Wuyuan Wanshoushan Cemetery, Anyang Tianshouyuan Cemetery and Changzhou Qifengshan Cemetery. With strenuous efforts, the cemetery in Huaibai City of Anhui Province was available for sale and one of our cemeteries in Nanchang City of Jiangxi Province became ready for construction. We also entered into cooperation agreement with Dafeng Funeral Home in Dafeng City, Jiangsu Province on jointly developing Dafeng Funeral Services Center. As at the end of 2015, we owned up to 14 cemeteries (of which 13 were constructed and 1 was under construction), and were operating up to 9 funeral facilities throughout the PRC. At the same time, we are trying to expand in an innovative manner; for example, we generate revenue by providing entrusted management services to three small cemeteries. Our business coverage has expanded to 15 cities across 10 provinces or municipalities in China; the expanding business footprints lay a good foundation for our future development.

In addition, in January and February 2016, we entered into agreements on the construction and operation of funeral homes under BOT model and the construction of cemeteries on a joint venture basis with relevant local governments of Tai'an City in Shandong Province and Bishan District in Chongqing Municipality respectively. We believe this will set new patterns and models for the reform of death care industry in China and help us to expand business in China.

Construction of the production base for environmental-friendly cremation machines in Guangde City of Anhui Province was completed in February 2015. We will apply to obtain accredited environmental testing on our cremation machines soon. We have confidence in the testing results. Although our environmental-friendly cremation machine business is still in its initial development stage, the latest environmental requirements on cremation machines in the PRC have generated huge market demand. It is believed that the environmental-friendly cremation machine business will make considerable contribution to the Group's revenue in the near future.

During the course of rapid development, we constantly built and strengthened the Group's core competitiveness and market consolidation capabilities. We made dedicated efforts in establishing "Culture and Education Committee" (文化教育委員會) and "Fu Shou Yuan Life Service College" (福壽園生命服務學院) to introduce, preach and implement the advanced international funeral concepts so as to train and reserve professionals for business expansion. We constantly motivated our management and employees. In March 2015, we implemented the third batch of share-based compensation scheme which further enhanced and boosted the Group's internal cohesion and employees' motivation. Also, the Group continued to enhance internal management, strengthen budget control and internal management system.

Based on these efforts, in 2015, the Group realized the sale of 17,322 tombs and performed 15,176 funeral services and recorded total revenue of RMB1,108.0 million, representing an increase of 39.3% as compared to 2014; the Group made a net profit totalling RMB365.2 million, representing an increase of 28.1% as compared to 2014 and net profit attributable to our shareholders of RMB284.4 million, representing an increase of 23.5% as compared to 2014.

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			
	2015		**2014**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Burial services	960,176	86.7%	673,571	84.7%
Funeral services	140,124	12.6%	109,836	13.8%
Auxiliary services	12,352	1.1%	11,685	1.5%
Inter-segment elimination	(4,692)	(0.4%)	—	—
Total	1,107,960	100.0%	795,092	100.0%

Our revenue increased by RMB312.9 million, or 39.3%, from RMB795.1 million for 2014 to RMB1,108 million for 2015. This increase was primarily driven by a 42.6%, or RMB286.6 million, increase in revenue from burial services, and a 27.6%, or RMB30.3 million, increase in revenue from funeral services.

Our cremation machine manufacturing base was completed in February 2015 and has been undergoing the trial production stage. It generated a revenue of RMB9.2 million for 2015, which was included in the auxiliary services segment.

Our cemeteries and funeral facilities are strategically located in major cities across 10 provinces in the PRC. The following table sets forth a breakdown of our revenue from burial services and funeral services by region for the Year Under Review:

	Year ended December 31			
	2015		2014	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai	555,516	50.4%	462,567	59.0%
Henan	64,450	5.9%	54,453	7.0%
Chongqing	90,869	8.3%	67,732	8.7%
Anhui	102,891	9.4%	84,682	10.8%
Shandong	44,825	4.1%	44,869	5.7%
Liaoning	189,135	17.1%	52,377	6.7%
Jiangxi	27,337	2.4%	996	0.1%
Fujian	21,626	2.0%	13,526	1.7%
Zhejiang	2,784	0.3%	2,205	0.3%
Jiangsu	867	0.1%	—	—
Total	1,100,300	100.0%	783,407	100.0%

We have been focusing on providing top quality burial and funeral services to our customers and strengthened our sales and marketing effort during 2015. As a result, we achieved growth in almost every location where we operate as compared with 2014. In addition, Chongqing Baitayuan and Meilin Century Cemetery, which were acquired in the 2nd half of 2014, provided services throughout 2015 and contributed revenue growth of RMB37.7 million. We also completed the acquisitions of the controlling equity in Guanlingshan Cultural Cemetery, Wuyuan Wanshoushan Cemetery, Anyang Tianshouyuan Cemetery, and Changzhou Qifengshan Cemetery during 2015. These cemeteries contributed revenue of RMB138.4 million since completion of the aforesaid acquisitions. Other then-existing cemeteries and funeral facilities contributed revenue growth of RMB140.8 million.

BURIAL SERVICES

We derive a substantial portion of our revenue from burial services, which represented 86.7% (2014: 84.7%) of our total revenue for 2015. 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 98.3% of our revenue from burial services for 2015. The following table sets forth 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							
	2015				**2014**			
	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	724	296,227	214,468	22.3%	696	269,647	187,674	27.9%
- Artistic	6,692	53,350	357,016	37.2%	3,783	64,662	244,616	36.3%
- Traditional	5,534	42,093	232,944	24.3%	2,520	47,909	120,730	17.9%
- Lawn	780	63,577	49,590	5.2%	755	54,417	41,085	6.1%
- Green	2,506	5,132	12,860	1.3%	586	10,401	6,095	0.9%
- Indoor	1,086	10,869	11,804	1.2%	1,753	5,003	8,772	1.3%
- Other burial related services	—	—	65,492	6.8%	—	—	51,554	7.7%
	17,322	—	944,174	98.3%	10,093	—	660,526	98.1%
Cemetery maintenance services	—	—	16,002	1.7%	—	—	13,045	1.9%
Total revenue from burial services	17,322	—	960,176	100.0%	10,093	—	673,571	100.0%

During 2015, we sold 11,397 burial plots, excluding 2,430 plots (1,269 plots for 2014) charged at very low prices in Haigang Fu Shou Yuan for public welfare purpose and 3,495 plots (1,385 plots for 2014) sold by Henan Fu Shou Yuan to accommodate the tomb relocation funded by local government in Henan Province, representing a 53.2% increase as compared with 7,439 plots (excluding those plots in relation to public welfare and relocation) sold for 2014. Chongqing Baitayuan and Meilin Century Cemetery sold 1,010 plots for full 2015, while they reported 205 plots sold in 2014 since they became our subsidiaries in the 2nd half of 2014. The cemeteries newly acquired in this year sold 3,305 plots for 2015. The total increase of units sold, were primarily contributed by these two factors.

Furthermore, the selling prices of burial plots of each cemetery vary according to local market conditions. Therefore, average selling price ("ASP") for each type of burial plot is affected by change in geographical mix of burial plots sold in different years. The ASP of burial plots, excluding those plots for public welfare and tomb relocation purpose as mentioned above, was approximately RMB80,211 per unit for 2015. It was decreased by RMB8,351 per unit, or 9.4%, from approximately RMB88,562 per unit for 2014. The main reason is the lower ASP from the newly acquired subsidiaries, which was approximately RMB40,907 per unit for 2015. Excluding this effect, the ASP (excluding those plots in relation to public welfare and relocation as mentioned above) for 2015 was RMB104,159 per unit, representing an increase of RMB14,095 per unit or 15.6% as compared with 2014.

We have twelve cemeteries in operation as of December 31, 2015, and have been deriving revenue from them. We achieved remarkable growth for 2015 in almost every cemetery where we operate as compared to 2014. 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			
	2015		**2014**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai Fu Shou Yuan	390,287	40.6%	342,956	50.9%
Haigang Fu Shou Yuan	151,272	15.8%	108,934	16.2%
Henan Fu Shou Yuan	63,674	6.6%	54,453	8.1%
Shandong Fu Shou Yuan	44,825	4.7%	44,869	6.7%
Hefei Dashushan Cultural Cemetery	71,589	7.4%	62,247	9.2%
Jinzhou Maoshan Anling	60,713	6.3%	52,377	7.8%
Chongqing Baitayuan	25,332	2.6%	6,740	1.0%
Meilin Century Cemetery	17,847	1.9%	995	0.1%
Guanlingshan Cultural Cemetery	128,422	13.4%	—	—
Wuyuan Wanshoushan Cemetery	4,573	0.5%	—	—
Anyang Tianshouyuan Cemetery	776	0.1%	—	—
Changzhou Qifengshan Cemetery	866	0.1%	—	—
Total revenue from burial services	960,176	100.0%	673,571	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			
	2015		**2014**	
	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	195,235	78.7%	119,962	75.3%
Funeral services	43,968	17.7%	30,028	18.9%
Auxiliary services	11,750	4.7%	9,269	5.8%
Inter-segment elimination	(2,792)	(1.1%)	—	—
Total	248,161	100.0%	159,259	100.0%

Our cost of sales and services increased by RMB88.9 million, or 55.8%, from RMB159.3 million for 2014 to RMB248.2 million for 2015. This increase was primarily due to a 62.7% increase in the cost of sales and services for burial services, and a 46.4% increase in the cost of sales and services for funeral services. The increases were mainly due to our business growth in burial and funeral services and the trial production of cremation machine manufacturing base in 2015.

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

	Year ended December 31			
	2015		2014	
	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	60,000	30.7%	44,407	37.0%
Land cost	24,369	12.5%	14,034	11.7%
Development cost	51,944	26.7%	23,815	19.9%
Taxes	14,720	7.5%	6,809	5.7%
Cemetery maintenance cost	9,140	4.7%	8,993	7.5%
Costs for other burial related services	35,062	17.9%	21,904	18.2%
Total	195,235	100.0%	119,962	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 manufacturing and sale of cremation machines and other services, including materials purchased, direct labor, manufacturing overheads, outsourcing costs, and other related costs.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, our gross profit increased by approximately RMB224.0 million, or 35.2%, from approximately RMB635.8 million for 2014 to approximately RMB859.8 million for 2015. We maintained a relatively high and stable gross profit margin as we have been committing to and 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. Our overall gross profit margin achieved was 77.6% for 2015 while the overall gross profit margin for 2014 was 80.0%. The decrease was mainly due to the relatively lower margin of newly acquired subsidiaries and the negative margin of cremation machine business as its low volume while the fixed operating costs during trial production stage in 2015. 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			
	2015		2014	
	Gross Profit (RMB'000)	*Gross Profit Margin (%)*	*Gross Profit (RMB'000)*	*Gross Profit Margin (%)*
Burial services	764,941	79.7%	553,609	82.2%
Funeral services	96,156	68.6%	79,808	72.7%
Auxiliary Services	602	4.9%	2,416	20.7%
Inter-segment elimination	(1,900)	40.5%	—	—
Total	859,799	77.6%	635,833	80.0%

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	
	2015	2014
	(RMB'000)	*(RMB'000)*
Interest income	39,329	54,491
Government grants	15,101	—
Management service income	3,984	—
Exchange gain	5,624	4,433
Others	(855)	(796)
Total	63,183	58,128

Our interest income decreased by RMB15.2 million from RMB54.5 million for 2014 to RMB39.3 million for 2015, mainly due to lower average bank balances as a result of our accelerated merger and acquisition progress since the 2nd half of 2014, and decreased interest rate as the central bank of China announced to decrease the RMB interest rates during 2015.

We received government grants in the amount of RMB15.1 million for 2015, which represented unconditional subsidies from the local government to encourage and reward our Listing and our contribution to the local economy. We did not receive such grants from government for 2014.

We were approached to provide management services to certain cemeteries by their owners because of our operation and management expertise in death care industry. During 2015, we received net income of RMB4.0 million for such services provided.

We recorded exchange gain of RMB5.6 million for 2015, as a result of appreciation of Hong Kong dollar against RMB and US dollar against RMB during the year.

DISTRIBUTION AND SELLING EXPENSES & ADMINISTRATIVE EXPENSES

Our operating expenses, accounting for 41.1% of our total revenue for 2015 (43.9% for 2014), increased by RMB106.5 million, or 30.5%, from RMB349.1 million for 2014 to RMB455.6 million for 2015. The increase was mainly as the result of: (i) the increased operating expenses from the newly acquired subsidiaries, amounting to approximately RMB60.0 million, (ii) higher amortization of stock option expenses as option granted in August 2014 and March 2015, amounting to approximately RMB9.2 million, and higher staff costs due to the new hiring, and (iii) general variable expenditures increase to support the business growth.

FINANCE COSTS

Finance costs for 2015 consist of interest expense of RMB4.4 million on bank loans, interest expenses of RMB3.3 million on loans from non-controlling interests.

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 Fu Shou Yuan, from Shandong World Trade Centre. Shandong Fu Shou Yuan is jointly invested by our Group and Shandong World Trade Centre. Our Group and Shandong World Trade Centre jointly provide funding to Shandong Fu Shou Yuan, 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. Nanchang Municipal Public Investing & Holding Co., Ltd. is one of the minority shareholders of our subsidiary, Nanchang Hongfu. This borrowing was paid off in 2015.

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, while our effective corporate income tax rates for 2015 was 20.5% (2014: 16.5%). It was mainly because: (i) Chongqing Anle Services, Chongqing Anle Funeral Services and Chongqing Baitayuan, were subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions; (ii) our interest income received on bank deposits by our subsidiary in Hong Kong is free from any income tax according to the Hong Kong tax rules; (iii) we have also reversed certain prior year tax provisions in 2015 and 2014 as the tax uncertainties of which have been resolved; and (iv) one-off reassessment was made on the deferred tax liabilities arising from the time differences between accounting base and tax base due to the change of tax rate of Chongqing Baitayuan, from 25% to 15% in 2015.

The income tax expense increased by approximately RMB38.3 million, or 68.2% from approximately RMB56.1 million for 2014 to approximately RMB94.4 million for 2015, mainly due to the increased profit before taxation as a result of business growth and different extent of above factors' impact.

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 RMB54.1 million, or 23.5%, from approximately RMB230.4 million for 2014 to approximately RMB284.4 million for 2015. This increase was primarily due to the contribution from newly acquired subsidiaries as well as our strong organic revenue growth in our previously existing cemeteries and funeral facilities. The increase was however partially offset by the lower gross profit margin of the newly acquired subsidiaries and the increased operating costs to support the business growth.

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	
	2015	**2014**
	(RMB'000)	*(RMB'000)*
Net cash generated from (used in)		
- operating activities	366,578	298,952
- investing activities	(381,434)	(480,108)
- financing activities	(5,140)	(66,099)
Total	(19,996)	(247,255)

We generated our cash from operating activities primarily from proceeds of our death care services businesses. Our cash used in operating activities is primarily for the development and construction of cemeteries, selling and distribution expenses, administrative expenses and other operating expenditures. Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, finance costs, the changes in working capital and taxation. For 2015, our net cash generated from operating activities amounted to approximately RMB366.6 million, representing 22.6% increase as compared to that for 2014. It mainly included the operating cash inflows before movement in working capital of approximately RMB512.9 million, partially offset by the increase of other working capital of approximately RMB53.5 million and income tax paid of approximately RMB92.7 million.

For 2015, our net cash used in investing activities was approximately RMB381.4 million. It was primarily due to: (i) considerations, deposits and advances of RMB307.6 million paid to acquire new cemeteries and funeral facilities, (ii) our additions to and deposits for property and equipments of approximately RMB109.6 million, mainly in connection with: (a) the deposits of approximately RMB60.2 million for intended land acquisition in Tieling City, (b) the landscaping and facility construction and upgrade in certain newly acquired subsidiaries since the 2nd half of 2014, (c) the construction of new customer service centers in Haigang Fu Shou Yuan and Jinzhou Maoshan Anlin, and (d) the general landscaping, facilities and equipments upgrade in other subsidiaries within the group. It was partially offset by the interests received during the year, amounting to approximately RMB38.9 million.

Our net cash used in financing activities amounted to approximately RMB5.1 million for 2015. It was primarily due to: (i) final dividends paid to owners of the Company of RMB32.4 million related to 2014 and interim dividends of RMB40.5 million for 2015, (ii) dividends paid to non-controlling interests of approximately RMB58.5 million, (iii) repayment of the borrowings from non-controlling interests of approximately RMB21.4 million, and (iv) interest paid of approximately RMB8.2 million for our borrowings. It was partially offset by: (i) our net increase of bank borrowings of approximately RMB119.5 million to finance certain acquisitions during the year, (ii) capital injection of approximately RMB24.6 million from non-controlling interests of a subsidiary, and (iii) proceeds received of approximately RMB11.8 million related to the exercise of certain employee share options.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2015, we had bank balances and cash of approximately RMB1,276.8 million (December 31, 2014: RMB1,296.8 million). 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, bank borrowings and funds from other financing channels.

We had outstanding bank borrowings of approximately RMB167.5 million as at December 31, 2015, within which there are borrowings of RMB63.5 million repayable within one year, RMB20.5 million repayable within two years, RMB21 million repayable within three years, RMB20.8 million repayable within four years, RMB17.8 million repayable within five years, RMB15.0 million repayable within six years, and RMB8.9 million repayable within seven years. These borrowings were denominated in RMB and were subject to floating interest rates ranged from 4.60% to 6.61% per annum. Meanwhile, Shandong Fu Shou Yuan, one of our subsidiaries, also had an outstanding loan balance of approximately RMB38.2 million with interest rate of 6.0% per annum, without specific repayment schedule, from its non-controlling shareholder, Shandong World Trade Centre.

In addition, we had bank borrowing facilities of approximately RMB896.1 million committed but not withdrawn as at the date of this announcement.

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, 2015 was 7.8% (December 31, 2014: 4.3%). The increase was mainly due to the new borrowings raised to finance certain acquisitions. Our operation has been lightly leveraged because of our good operating cash generating capability. Although we expect that our capital expenditure in the following years will maintain at a high level, we do not estimate our gearing ratio will substantially increase considering the bank balances 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 are denominated in foreign currencies, which exposes us to foreign currency risk. As at December 31, 2015, cash and cash equivalents held in RMB, Hong Kong dollars and US dollars accounted for approximately 91.9%, 5.7% and 2.4% 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. 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 2015, we completed following four acquisitions:

In January 2015, we completed the acquisition of 70% equity interest in Guanlingshan Cultural Cemetery for a cash sum of RMB279.3 million through equity interest subscription. Guanlingshan Cultural Cemetery holds parcels of land for cemetery development and woodland purposes measuring approximately 3,494 mu (approximately 2.33 million sq.m) in total. It has been providing burial services in the cities of Shenyang, Tieling and Fushun in Liaoning Province.

In February 2015, we completed the acquisition of 75% equity interest in Wuyuan Wanshoushan Cemetery from its then existing shareholders for a cash consideration of RMB49.3 million, including the taxes related to this transaction. Wuyuan Wanshoushan Cemetery mainly provides burial services, funeral services and cremation services in Wuyuan County of Jiangxi Province. It holds a site measuring approximately 164,000 sq. m for office building use and cemetery use. It is the only service provider, granted with a license for cremation, for funeral and cemetery operation within the Wuyuan County.

In June 2015, we completed the acquisition of 80% equity interest in Anyang Tianshouyuan Cemetery from its then existing shareholders for a cash consideration of RMB42.4 million. Anyang Tianshouyuan Cemetery holds land use right for a parcel of land measuring 98.6 mu (approximately 65,733 sq.m) in Anyang City of Henan Province. It will provide burial services in Anyang City.

In December 2015, we completed the acquisition of 80% equity interest in Changzhou Qifengshan Cemetery for a total consideration of RMB184 million. Changzhou Qifengshan Cemetery holds land use right for a parcel of land measuring 128 mu (approximately 85,332 sq.m) and has been providing burial services in Changzhou City.

Meanwhile, on June 18, 2015, we entered into a cooperation agreement with government-operated funeral home of Dafeng City in Jiangsu Province, in relation to the establishment of the Dafeng Funeral Service Center, an integrated, one-stop provider for the sale of funeral products, family vigils and farewell services in Dafeng City. The cooperation is currently in the start-up stage.

On January 15, 2016, we entered into a cooperation agreement in relation to the formation of an equity joint venture to invest in and operate a cemetery in Taian City of Shandong Province and an investment agreement in relation to the construction and operation of a funeral home in Taian City under the "BOT" model with relevant local authorities. The cooperation is currently in the start-up stage.

On February 17, 2016, we entered into a comprehensive cooperation agreement in relation to the formation of an equity joint venture to invest in and operate a cemetery in Bishan District of Chongqing Municipality and the construction of a new funeral home in Bishan District under the "BOT" model with the local government. The cooperation is currently in the start-up stage.

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2015, we had 1,627 full-time employees. 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 reflected in the financial statements, for the capital expenditures in respect of acquisition of subsidiaries, land, property and equipment in an amount of approximately RMB63.3 million as at December 31, 2015. We had also authorized RMB113.0 million (including the deposits of RMB60.0 million paid as at December 31, 2015) for the acquisition of parcels of land in Nanchang City, Changzhou City and Tieling City via our subsidiaries there.

We expect our capital expenditure in following years will maintain at a relatively high level as we are actively seeking for and approached by many industry consolidation opportunities.

ASSETS PLEDGED

As at December 31, 2015, we pledged the 75% equity interest of Wuyuan Wanshoushan Cemetery and 80% equity interest of Changzhou Qifengshan Cemetery to secure certain bank borrowings granted to finance the relevant acquisitions. Except for that, no other assets were pledged or charged.

CONTINGENT LIABILITIES

One of our indirect and non-wholly owned subsidiaries, Wuyuan Wanshoushan Cemetery, was involved in 8 law suits with claims over RMB 44 million as a defendant. The details of the law suits please refer to the announcement dated January 7, 2016.

As at the date of this announcement, the proceedings of these law suits has not been concluded or finalized. It would not be possible to predict the outcome with certainty and whether they would in the end result in any material adverse impact on the financial position and business operation of the Group. As of the date of this announcement, the Directors are of view that no provision shall necessarily be made according to the legal opinion and the current status of the proceedings.

CEMETERY LANDS AVAILABLE

We derive a substantial portion of our revenue from burial services, out of which, sale of burial plots represented the largest component of our revenue from burial services. For 2015, we expended land of approximately 40,998 sq.m. to generate revenue from sale of burial plots. However, our total saleable area as at December 31, 2015 increased by approximately 220,000 sq.m. to approximately 1.61 million sq.m. from that of 1.39 million sq.m. as at December 31, 2014, because we completed to acquire the controlling equity interest in Guanlingshan Cultural Cemetery, Wanshoushan Cemetery, Anyang Tianshouyuan Cemetery, and Changzhou Qifengshan Cemetery during the year.

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.

EVENTS OCCURRED SINCE THE END OF THE FINANCIAL YEAR

The Group entered into strategic cooperation agreements with the People's Government of Taian City, Shandong Province and the People's Government of Bishan District of Chongqing Municipality (the "Cooperation") on January 15, 2016 and February 17, 2016 respectively.

The Cooperation further extends the Group's integrated service strategy from vigil service to funeral arrangement to cremation to cemetery. Meanwhile, the Cooperation initiates the model of the strategic cooperation between the Group and the local governments in the PRC. Leveraging the Company's extensive experience in the development, operation and management of death care services in the PRC, the Board is of the view that the Cooperation will serve as a model for the Group, which can be replicated as the Group expands into other provinces in PRC. The Group expects the Cooperation will lead to a series of cooperation between the Group and other local governments in PRC in the future.

PROSPECTS

Going forward, in view of the rudimentary market regulation and the fact that significant portion of resources in death care industry in the PRC remain under government control, we will seek for more cooperation with the relevant level of government authorities for the expansion of our geographic presence in selected cities and for more steady business environment and more support from the government. We will also put more efforts into integrating the newly acquired business and enhance them to meet our standards by leveraging our advanced philosophy and expertise in death care business operation. Meanwhile, we will continue to drive the modernization of the death care business in China, promote the healthy development of the national death care culture with humanity, charity and environmental protection in mind. We will try to expand our business in a more steady and sustainable pace, and commit 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 continuously.

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, 2015.

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, 2015, we had used approximately HK$127.3 million towards acquiring new lands and approximately HK$981.6 million towards mergers and acquisitions of other cemeteries and funeral facilities in the PRC, and approximately HK$33.7 million has been used for the expansion of our sales network. The remaining net proceeds are intended to be applied in the manner consistent with that set out in the Prospectus and relevant announcements made.

On August 11, 2015, the Board has resolved to reallocate the proposed use of net proceeds accruing to the Group from the Global Offering by combining the allocations (1) to develop new cemeteries by way of land acquisitions; (2) to set up new funeral facilities; and (3) for mergers and acquisitions into one consolidated pool of funds, representing approximately 87% of the net proceeds to be used either by way of new lands acquisition, or funeral facilities acquisitions or mergers and acquisitions, as the opportunity arises.

Save for the aforesaid changes, there is no other change to the use of net proceeds from the Global Offering.

ANNUAL GENERAL MEETING

The AGM will be held on May 16, 2016 and the notice of AGM is expected to be published and despatched to the Shareholders on or about April 13, 2016.

FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK2.39 cents per Share for the year ended December 31, 2015 (2014: HK1.95 cents), 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 Thursday, May 12, 2016 to Monday, May 16, 2016, 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 Wednesday, May 11, 2016.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Friday, May 20, 2016 to Tuesday, May 24, 2016, 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 Thursday, May 19, 2016.

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, 2015.

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, 2015.

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, 2015.

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, 2015.

PUBLICATION OF ANNUAL RESULTS AND 2015 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 2015 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

"Anyang Tianshouyuan Cemetery"	a cemetery in Anyang of Henan Province and operated by Anyang Wulong Civil Service Co., Ltd.* (安陽縣五龍民生服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of Directors
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Changzhou Qifengshan Cemetery"	a cemetery in Changzhou City of Jiangsu Province and operated by Changzhou Qifengshan International Cemetery Co., Ltd.* (常州棲鳳山國際人文陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"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 Anle Services"	Chongqing Anle Services Co., Ltd.* (重慶安樂服務有限公司), a limited company established under the laws of the PRC and a 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 limited company established under the laws of the PRC and a subsidiary of the Company
"Chongqing Baitayuan"	a cemetery in Yongquan of chongqing Province and operated by 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 under the laws of the PRC and a subsidiary of the Company
"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
"Dafeng Funeral Home"	the government-operated funeral home of Dafeng City in Jiangsu Province
"Dafeng Funeral Service Center"	an integrated, one-stop provider for the sale of funeral products, family vigils and farewell services in Dafeng City of Jiangsu Province
"Director(s)"	the director(s) of the Company
"EIT Law"	the Law of the PRC on Enterprise Income Tax
"Global Offering"	the offering by the Company of its 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", "us" or "we" or "Fu Shou Yuan Group"	the Company and its subsidiaries
"Guanlingshan Cultural Cemetery"	a cemetery in Tieling City of Liaoning Province and operated by Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd.* (遼寧觀陵山藝術園林公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Haigang Fu Shou Yuan"	a cemetery in Pudong New District of Shanghai (上海浦東新區) and operated by Shanghai Nanyuan Industrial Development Co. Ltd.* (上海南院實業發展有限公司), a company established in the PRC and a subsidiary of the Company

"Hefei Dashushan Cultural Cemetery"	a cemetery in Hefei of Anhui Province and operated by Hefei Dashushan Culture Cemetery Co., Ltd.* (合肥大蜀山文化陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Henan Fu Shou Yuan"	a cemetery in Longhu Town, Zhengzhou of Henan Province (河南省新鄭市龍湖鎮)and operated by Henan Fu Shou Yuan Industrial Co., Ltd.* (河南福壽園實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Jinzhou Maoshan Anling"	a cemetery in Jinzhou City of Liaoning Province and operated by Jinzhou City Maoshan Anling Co., Ltd.* (錦州市帽山安陵有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Listing"	listing of the Shares 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)
"Meilin Century Cemetery"	a cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu
"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 limited company established under the laws of the PRC and a subsidiary of the Company
"Prospectus"	the prospectus of the Company dated December 9, 2013
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Shandong Fu Shou Yuan"	Shandong Fu Shou Yuan Development Co., Ltd.* (山東福壽園發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Shandong World Trade Centre"	Shandong World Trade Centre* (山東世界貿易中心), a 50% shareholder of Shandong Fu Shou Yuan

"Shanghai Fu Shou Yuan"	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Development Co., Ltd.* (上海福壽園實業發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Share(s)"	ordinary share(s) with a nominal value of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollar"	United Stated dollars, the lawful currency of the United States
"Wuyuan Wanshoushan Cemetery"	a cemetery in Wuyuan of Jiangxi Province and operated by Wuyuan Wanshoushan Lingyuan Co., Ltd.* (婺源縣萬壽山陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Year Under Review"	year ended December 31, 2015
"%"	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, 2016

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. Ma Xiang, 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.