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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2016

2016 INTERIM RESULTS HIGHLIGHTS

- Total revenue for the six months ended June 30, 2016 amounted to approximately RMB641.5 million, representing an increase of approximately 9.2% compared with the six months ended June 30, 2015.
- Profit and total comprehensive income attributable to owners of the Company for the six months ended June 30, 2016 amounted to approximately RMB177.9 million, representing an increase of 12.0% compared with the six months ended June 30, 2015.
- Basic earnings per Share for the six months ended June 30, 2016 amounted to approximately RMB8.5 cents, increased by 10.4% compared with the six months ended June 30, 2015.
- The Board has declared an interim dividend of HK2.57 cents per Share for the six months ended June 30, 2016.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2016 together with the comparative figures for the corresponding period in 2015 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2016

	NOTES	**For the six months ended June 30, 2016** *RMB'000 (Unaudited)*	**2015** *RMB'000 (Unaudited)*
Revenue	4	641,541	587,613
Cost of sales and services		(135,190)	(128,390)
Gross profit		506,351	459,223
Other income and gains, net	5	26,010	28,584
Distribution and selling expenses		(101,699)	(97,591)
Administrative expenses		(130,486)	(117,108)
Finance costs		(5,188)	(4,460)
Profit before taxation		294,988	268,648
Income tax expense	6	(61,858)	(67,879)
Profit and total comprehensive income for the Period		233,130	200,769
Profit and total comprehensive income attributable to:			
Owners of the Company		177,930	158,827
Non-controlling interests		55,200	41,942
		233,130	200,769
		RMB cents	*RMB cents*
Earnings per share - Basic	7	8.5	7.7
- Diluted	7	8.3	7.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2016

	NOTES	**June 30, 2016** *RMB'000* *(Unaudited)*	**December 31, 2015** *RMB'000* *(Audited)*
Non-current assets			
Property and equipment	8	376,434	361,314
Intangible assets		14,100	14,388
Prepaid lease payment		20,585	20,029
Deposits paid for acquisition of land use rights		1,872	60,157
Cemetery assets	9	1,086,604	1,048,331
Restricted deposits		31,004	28,632
Investment in a joint venture		30,000	30,000
Deposit for acquisition of subsidiaries		50,701	38,001
Other long-term assets		14,100	14,400
Deferred tax assets	16	31,186	29,523
Goodwill	10	267,661	267,661
		1,924,247	1,912,436
Current assets			
Inventories	11	374,404	339,522
Trade and other receivables		55,139	34,846
Time deposits		169,000	—
Bank balances and cash	12	1,168,293	1,276,761
		1,766,836	1,651,129
Current liabilities			
Trade and other payables	13	247,302	277,908
Deferred income	15	16,814	15,694
Income tax liabilities		127,088	126,059
Borrowings	14	59,950	63,450
		451,154	483,111
Net current assets		1,315,682	1,168,018
Total assets less current liabilities		3,239,929	3,080,454

	NOTES	June 30, 2016	December 31, 2015
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Non-current liabilities			
Deferred income	15	213,391	198,450
Loans from non-controlling interests		38,173	38,173
Borrowings	14	84,020	104,020
Deferred tax liabilities	16	88,280	90,042
		423,864	430,685
Net assets		2,816,065	2,649,769
Capital and reserves			
Share capital		126,995	126,601
Reserves		2,268,064	2,109,328
Equity attributable to owners of the Company		2,395,059	2,235,929
Non-controlling interests		421,006	413,840
Total equity		2,816,065	2,649,769

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2016

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 registered office of the Company is Estera Trust (Cayman) Limited at P.O. Box 1350, Clifton House, 75 Fort Street, 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 are mainly engaged in the provision of burial services, funeral services and auxiliary services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the Period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRS") that are mandatorily effective for the Period.

Except for *Annual Improvements to IFRSs 2012-2014 Cycle*, the application of the amendments to IFRSs in the Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The directors of the Company do not anticipate that the application of the new or revised IFRSs that have been issued but are not yet effective will have any significant impact on the Group's financial results and financial.

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:

	For the six months ended June 30,	
	2016	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Burial Services		
Sale of burial plots		
Customized burial (note (a))	140,380	112,209
Artistic burial (note (b))	234,979	174,294
Traditional burial	108,150	142,778
Lawn burial (note (c))	25,306	27,249
Green burial (note (d))	7,293	7,991
Indoor burial	8,310	6,638
Other burial-related services (note (e))	37,510	37,333
Cemetery maintenance services	8,228	7,509
	570,156	516,001
Funeral services	70,071	67,582
Auxiliary services	2,925	4,030
Inter-segments elimination	(1,611)	—
	641,541	587,613

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 grave markers 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 grave markers.

(d) Green burial refers to environmental friendly and space saving burial plots, under natural grave markers 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:

	For the six months ended June 30,	
	2016	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Shanghai	347,720	302,167
Henan	21,366	44,362
Chongqing	42,068	48,055
Anhui	64,744	50,226
Shandong	19,590	20,454
Liaoning	94,520	92,291
Jiangxi	18,279	13,752
Fujian	14,076	11,074
Zhejiang	2,495	1,202
Jiangsu	15,369	—
	640,227	583,583

5. OTHER INCOME AND GAINS, NET

	For the six months ended June 30,	
	2016	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest income	17,907	19,401
Government grants	4,810	5,852
Management service income	1,304	3,084
Exchange gain	1,752	93
Others	237	154
	26,010	28,584

6. INCOME TAX EXPENSE

The Group's income tax expense includes provision made for EIT and deferred income tax during the Period.

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 Period 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% according to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39). The preferential tax rate for Chongqing Anle Services, Chongqing Anle Funeral Services and Chongqing Baitayuan is effective until 2020.

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 Period.

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:

	For the six months ended June 30,	
	2016	**2015**
	(Unaudited)	*(Unaudited)*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	177,930	158,827
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	2,090,150,768	2,075,000,000
Effect of dilutive potential ordinary shares:		
Share options	65,424,502	39,367,501
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,155,575,270	2,114,367,501

8. PROPERTY AND EQUIPMENT

	June 30, 2016	**December 31, 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Buildings	192,722	197,818
Leasehold improvements	13,012	10,239
Furniture, fixtures and equipment	26,992	25,431
Motor vehicles	15,776	17,391
Construction in progress	127,932	110,435
	376,434	361,314

9. CEMETERY ASSETS

	June 30, 2016	**December 31, 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Land costs	722,078	664,717
Landscape facilities	149,896	151,478
Development cost	214,630	232,136
	1,086,604	1,048,331

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 arose from the acquisition of following subsidiaries:

	June 30, 2016	**December 31, 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
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	47,245
Wuyuan Wanshoushan Cemetery	36,107	36,107
Anyang Tianshouyuan Cemetery	2,425	2,425
Changzhou Qifengshan Cemetery	87,425	87,425
	267,661	267,661

11. INVENTORIES

	June 30, 2016	**December 31, 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Burial Plots	254,737	237,530
Tombstone	89,325	81,063
Others	30,342	20,929
	374,404	339,522

12. BANK BALANCES AND CASH

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

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Interest rate per annum		
— RMB	0.30%-5.55%	0.35%-4.25%
— HK$	0.01%	0.01%
— US$	0.05%	0.05%

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

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
HK$	30,545	72,280
US$	30,762	30,781
	61,307	103,061

13. TRADE AND OTHER PAYABLES

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade payables	95,829	99,405
Advances and deposits from customers	25,278	31,221
Payables for acquisition of property and equipment	5,223	1,380
Salary, welfare and bonus payables	65,449	85,273
Other accrued expenses	12,077	13,909
Consideration for acquisition of a subsidiary	11,140	11,140
Others	32,306	35,580
	247,302	277,908

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

	June 30, 2016 *RMB'000* *(Unaudited)*	December 31, 2015 *RMB'000* *(Audited)*
0 - 90 days	30,660	41,981
91 - 180 days	13,088	19,025
181 - 360 days	36,918	19,875
Over 360 days	15,163	18,524
	95,829	99,405

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

14. BORROWINGS

	June 30, 2016 *RMB'000* *(Unaudited)*	December 31, 2015 *RMB'000* *(Audited)*
Bank borrowings		
Secured by the Group's equity interest in subsidiaries	104,020	122,520
Guaranteed by an independent third party	—	5,000
Unsecured	39,950	39,950
	143,970	167,470
The carrying amounts of the above borrowings are repayable:		
Within one year	59,950	63,450
More than one year, but not exceeding two years	21,000	20,500
More than two years but not exceeding five years	56,660	59,660
More than five years	6,360	23,860
	143,970	167,470

The bank borrowings carried interest at 4.60% to 4.998% per annum (December 31, 2015: 4.60% to 6.61%).

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:

	June 30, 2016	**December 31, 2015**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Time difference for certain accruals and liabilities	27,020	25,357
Unused tax losses	4,166	4,166
Fair value adjustment	(88,280)	(90,042)
	(57,094)	(60,519)

17. DIVIDENDS

During the Period, the Company has declared and paid the final dividends of HK2.39 cents per Share for 2015, amounting to approximately RMB42.2 million.

On August 12, 2016, an interim dividend in respect of 2016 of HK2.57 cents per Share was declared by the Board.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the results of the Company and its subsidiaries for the six months ended June 30, 2016.

In the first half of 2016, the global economy entered into a period of profound adjustment with lingering downward pressure. The Chinese government continued to implement proactive fiscal and prudent monetary policies with a view to securing overall stable growth of China's economy. During the Period, the gross domestic product ("GDP") increased by 6.7% year-on-year and the national economy made progress amidst stability. Although being affected by the economic cycle, thanks to our continuous and effective business expansion and upgrade, Fu Shou Yuan Group continued to grow steadily. During the Period, the Group's revenue amounted to RMB641.5 million, representing an increase of 9.2% compared to the same period in 2015. The gross profit margin of the Group was 78.9% while profit and comprehensive income attributable to shareholders was RMB177.9 million, up 12.0% compared to the same period of last year. The Board declared an interim dividend of HK2.57 cents per Share for 2016 to the Shareholders to reward their support.

During the Period, the Group continuously improved its service quality and optimized its industrial chain while expanding strategically to enlarge the Group's business coverage. Currently, cemeteries and funeral facilities controlled by the Group cover 15 cities across China.

During the Period, Fu Shou Yuan Group consistently deepened its extensive cooperation with local governments, offering various solutions such as PPP (public-private partership) and BOT (build-operate-transfer). Besides facilitating structural reform, such initiatives also help to provide diversified quality services to customers and promote the innovative development of the industry. In January and February 2016, the Group entered into agreements with local governments of Tai'an City in Shandong Province, and Bishan District in Chongqing Municipality, respectively. Under the agreements, the Group will establish and operate funeral parlours under the BOT model and co-invest in new cemeteries. In June 2016, the Group also won the bid to cooperate with the local government of Xuancheng City in Anhui Province, to establish and operate funeral facility and a cemetery.

Meanwhile, the Group leveraged on the favorable policies continuously rolled out by the government to encourage marketization of death care industry, followed closely with the industry trend of "Humanism, Science & technology, Innovation and Environmental Protection" and actively responded to the green, energy-saving and environmental-friendly development pathway proposed in the "13th Five-Year Plan". After three years of efforts, the Group's self-developed environmental-friendly cremation machine successfully passed an authoritative environmental assessment in June 2016 and has commenced trial production and trial sale. The Group believes that the environmental-friendly cremation machine business will become our new growth driver in the foreseeable future. As for the funeral services, in the first half of 2016, the Group made a strategic step by launching trial sales of pre-need contracts in Hefei City and Chongqing Municipality which received positive market response.

Since its Listing, the Group has been adhering to its active expansion approach and devoted to boost the modernization, transformation and innovation of the industry while realizing profit, which gained us recognition from various sectors of the community. During the Period, the Group was awarded "New Stocks with the Greatest Growth Potential" of "2015 Top 100 Hong Kong Listed Shares Awards", which is jointly organized by Tencent and the Hong Kong financial media Finet Group Ltd, which is a strong testament of the confidence of investors in the Company's future development. Besides, the Group was also granted "2016 Outstanding Brand Image" at the 5th China Finance Summit. As the largest death care services provider in China, the honour received at the summit as one of the exemplary companies and persons who promote economic growth and social progress under the new norm fully demonstrates that the Group's corporate principle and value of "adhering to the people-oriented philosophy and taking its root in culture" have gained widespread recognition.

During the Period, the Group released the first sustainability report of China's death care industry. Since its establishment, the sense of responsibility towards the enterprise, society, industry and history has urged the Group to bring humanity, environmental protection, charity and care into its daily operation. The Group has actively participated in many social welfare activities, covering a wide range of fields, including cultural education, disaster relief, poverty support, environmental protection, etc. Besides organizing the first death care industry management training course in China, the "Culture and Education Committee" and "Fu Shou Yuan Life Service College" have already been in functioning. The Group is striving to introduce, advocate and implement the advanced international death care concepts so as to train and build a pool of professionals for the long-term development of the Company and the industry.

Looking forward, leveraging on the opportunities brought by the prevailing trend of accelerating urbanization, the Group will provide more superior services and rich options on cultural consumption to clients and promote the healthy development of China's death care industry towards Humanism, Science & technology, Innovation and Environmental Protection. The Group will also be engaged in business innovation, adopt the most advanced technologies and first-class concepts in the world and integrate the new business with existed one. By adhering to the people-oriented philosophy, taking its root in culture, being innovative and pragmatic, and building a harmonious relation with the environment, the Group will offer a rich diversity of quality services to the market, so as to further enhance profitability and deliver the best reward to our investors.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

BUSINESS COMMENTARY

As the largest death care services provider in the PRC, the Group strives to develop cemeteries into urban cultural parks, offer the last farewell to lives with respects and comliness, and transform the traditional death care industry into a modern service industry that caters to customers' needs. We provide customized services and a broad range of services to customers. Our service is grounded on our respect for lives. We help our customers express their grief and filial piety, honor the final journey of a person's life and ensure it is completed with dignity. As with the past, in the first half of 2016, we focused on refining the environment and cultural setting of cemeteries, enhancing our service quality and offering innovative services and products. The beautiful cemeteries constructed by the Group and the customized services we provide have gained widespread recognition from our customers.

Leveraging the capital achieved through the Group's Listing and our vision on the industry and management experience, we have been expanding our business by collaborating with local governments, thus establishing a new operation model in the industry. In January and February 2016, we signed agreements with the local governments of Tai'an City in Shandong Province, and Bishan District in Chongqing Municipality, respectively to establish and operate funeral parlours under the BOT (build-operate-transfer) model, and co-invest in new cemeteries. A jointly invested company and a sole proprietorship, that will serve as the main operation vehicles, were established pursuant to the agreements. In June 2016, we were awarded the tender to establish and operate a local funeral facility together with a cemetery located in Xuancheng City in Anhui Province. We are striving for the earliest possible completion of the projects in these 4 cities, including the one in Dafeng City in

Jiangsu Province, where the agreement was signed in 2015. The launch of these projects will facilitate further breakthroughs in the Group's cooperation with local governments in the PRC in the future. It will also boost the Group's market share in the funeral service industry.

During the Period, our two cemeteries in Anyang City and Huaibei City started to generate revenue. Changshou Qifengshan Cemetery acquired at the end of 2015 also delivered the expected revenue. As at 30 June 2016, excluding the aforementioned projects that are still under development, the Group owns 14 cemeteries (13 of which were in operation and the 14th is under construction), and 10 funeral facilities in operation. We also generate revenue by providing entrusted management services to three small cemeteries. Our business has expanded to cover 15 cities in 10 provinces or municipalities in the PRC. Our consistently expanding cemeteries and funeral services constitute a good foundation for the Group's future development.

Our self-developed environmental friendly cremator factory, which involved three years of intensive research and development, successfully passed an authoritative environmental assessment in June 2016. The assessment result indicates that all the emission indicators of the cremator meet China's environmental standards. In the few months to come, we will carry out trial production and trial sale on a small scale and our aim is to achieve large-scale production and retail as soon as possible. The new environmental requirements imposed by the Chinese government on cremators are going to generate great market demand. We believe our environmental friendly cremator business will form a significant part of the Group's business in the foreseeable future.

In the first half of 2016, we launched a trial sale of pre-need contract for funeral services, which has led to positive results. The sale carried strategic significance for the Group to tap the pre-need contract market.

While growing rapidly, the Group also strives to boost its core competitiveness and industry consolidation capacity. The Group's "Culture and Education Committee" and "Fu Shou Yuan Life Service College", established in 2015, have already been in functioning. We strive to preach and implement the advanced international funeral concepts so as to train and build a pool of professionals for future business expansion. We continually motivate our management and employees. During the first six months of 2016, we implemented the fourth batch of grant of share options under our share option schemes, which further enhanced and boosted the Group's internal cohesion and effectively motivated our employees. Meanwhile, we have been making continuous efforts to enhance our management and strengthen budget control and the internal management system.

During the Period, our business was mainly driven by the organic growth, accounting for 97.6% of total revenue. Our gross profit margin and revenue per square meter of land were further improved, as compared to the same period in 2015, through our continuous efforts in operation efficiency enhancement and expenditure controls.

As a result of all these efforts, we achieved impressive growth despite of the slow-down of China's economy growth. During the first half of 2016, the Group recorded the sale of 7,196 tombs and provided 8,048 funeral services. The total revenue amounted to RMB 641.5 million, up 9.2% year-on-year. The Group made a net profit totaling RMB 233.1 million, representing an increase of 16.1% compared to the same period in 2015. Net profit attributable to our shareholders was RMB 177.9 million, representing an increase of 12.0% as compared to the same period in 2015.

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 Period:

	Six Months Ended			
	June 30, 2016		**June 30, 2015**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Burial services	570,156	88.9%	516,001	87.8%
Funeral services	70,071	10.9%	67,582	11.5%
Auxiliary services	2,925	0.5%	4,030	0.7%
Inter-segment elimination	(1,611)	(0.3%)	—	—
Total	641,541	100.0%	587,613	100.0%

Our revenue increased by RMB53.9 million, or 9.2%, from RMB587.6 million for the six months ended June 30, 2015 to RMB641.5 million for the Period. This increase was primarily driven by a 10.5%, or RMB54.2 million, increase in revenue from burial services, a 3.7%, or RMB2.5 million, increase in revenue from funeral services.

We obtained accredited environmental testing on our environmental-friendly cremation machine in June 2016. It is believed that the environmental-friendly cremation machine business will make considerable contribution to the Group's revenue in the near future.

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 Period:

	Six Months Ended			
	June 30, 2016		**June 30, 2015**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai	347,720	54.3%	302,167	51.8%
Henan	21,366	3.3%	44,362	7.6%
Chongqing	42,068	6.6%	48,055	8.2%
Anhui	64,744	10.1%	50,226	8.6%
Shandong	19,590	3.1%	20,454	3.5%
Liaoning	94,520	14.8%	92,291	15.8%
Jiangxi	18,279	2.8%	13,752	2.4%
Fujian	14,076	2.2%	11,074	1.9%
Zhejiang	2,495	0.4%	1,202	0.2%
Jiangsu	15,369	2.4%	—	—
Total	640,227	100.0%	583,583	100.0%

We have been focusing on providing top quality burial and funeral services to our customers, strengthened our sales and marketing effort during the Period. As a result, we achieved growth as compared to the same period of last year in majority of locations where we operate. We completed the acquisition of the controlling equity in Changzhou Qifengshan Cemetery in the 2nd half of year 2015. It contributed revenue of RMB15.4 million for the Period. The revenue from Henan region decreased by RMB23.0 million, or 51.8%, as compared with the six months ended June 30, 2015. It is because that Henan Fu Shou Yuan sold a batch of 3,495 plots, amounting to RMB25.5 million, to accommodate the tomb relocation funded by local government for the six month period ended June 30, 2015, while there was no such revenue related to the tomb relocation for the Period. The revenue from Chongqing region decreased by RMB6.0 million, or 12.5% as compared with the six months period ended June 30, 2015. It is mainly because the funeral agents have been providing underground wake services by making use of a newly government built funeral parlour since the second half of 2015, which eroded part of our market share. We are approaching this funeral parlour for possible cooperation and actively exploring other suitable sites to increase our funeral service coverage in Chongqing.

BURIAL SERVICES

We derived a substantial portion of revenue from our burial services, which represented 88.9% (six months ended June 30, 2015: 87.8%) of our total revenue for the Period. 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 98.6% of our revenue from burial services for the Period. 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, for the Period:

	Six Months Ended					
	June 30, 2016			**June 30, 2015**		
	No. of Units	*Revenue (RMB'000)*	*% of revenue from burial services*	*No. of Units*	*Revenue (RMB'000)*	*% of revenue from burial services*
Sale of burial plots						
- Customized	408	140,380	24.6%	388	112,209	21.7%
- Artistic	2,239	234,979	41.2%	4,898	174,294	33.8%
- Traditional	2,794	108,150	19.0%	3,222	142,778	27.7%
- Lawn	382	25,306	4.4%	451	27,249	5.3%
- Green	593	7,293	1.3%	2,107	7,991	1.5%
- Indoor	780	8,310	1.5%	874	6,638	1.3%
- Other burial related services	—	37,510	6.6%	—	37,333	7.2%
	7,196	561,928	98.6%	11,940	508,492	98.5%
Cemetery maintenance services	—	8,228	1.4%	—	7,509	1.5%
Total Revenue From Burial Services	7,196	570,156	100.0%	11,940	516,001	100.0%

We sold 6,746 burial plots, excluding 450 plots charged with very low prices in Haigang Fu Shou Yuan for public welfare purpose for the Period. While we sold 6,242 burial plots, excluding 2,203 plots charged with very low prices in Haigang Fu Shou Yuan for public welfare purpose and 3,495 plots sold by Henan Fu Shou Yuan to accommodate the tomb relocation funded by local government in Henan Province, for the six months ended June 30, 2015. The number of burial plots we sold increased by 504 units, or 8.1% from our ordinary business as compared with the six months ended June 30, 2015. Among 504 units, 182 burial plots were sold by Changzhou Qifengshan Cemetery, a subsidiary acquired in the second half of 2015, for the Period.

The average selling price of burial plots, excluding those plots for public welfare and tomb relocation purpose as mentioned above, was RMB77,675 per unit for the Period. It is increased by RMB6,402 per unit, or 9.0%, from RMB71,273 per unit for the six months ended June 30, 2015.

We have thirteen cemeteries in operation as of June 30, 2016, and have been deriving revenue from twelve of them as subsidiaries and one of them as a joint venture. The following table sets forth the breakdown of our revenue from the burial services by cemetery for the Period:

	Six Months Ended			
	June 30, 2016		**June 30, 2015**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai Fu Shou Yuan	245,426	43.1%	214,395	41.5%
Haigang Fu Shou Yuan	95,638	16.8%	83,260	16.1%
Henan Fu Shou Yuan	20,722	3.6%	44,348	8.6%
Shandong Fu Shou Yuan	19,591	3.4%	20,454	4.0%
Hefei Dashushan Cultural Cemetery	46,957	8.2%	37,094	7.2%
Jinzhou Maoshan Anling	24,806	4.4%	34,085	6.6%
Chongqing Baitayuan	16,942	3.0%	12,373	2.4%
Meilin Century Cemetery	11,567	2.0%	9,736	1.9%
Guanlingshan Cultural Cemetery	69,714	12.2%	58,205	11.3%
Wuyuan Wanshoushan Cemetery	2,781	0.5%	2,037	0.4%
Anyang Tianshouyuan Cemetery	644	0.1%	14	0.0%
Changzhou Qifengshan Cemetery	15,368	2.7%	—	—
Total Consolidated Revenue from Burial Services	570,156	100.0%	516,001	100.0%
Joint venture's revenue from burial services				
Huaibei Fangshan Cemetery	1,854	100.0%	—	—

Total consolidated revenue from burial services for the Period increased by RMB54.2 million, or 10.5%, as compared with the six months ended June 30, 2015. We achieved stable growth for the Period as compared to the same period of last year in majority of the cemeteries where we operate. However, the revenue from Henan Fu Shou Yuan decreased by RMB23.6 million, or 53.3%, as compared with the six months ended June 30, 2015, with a reason discussed above. The revenue from Jinzhou Maoshan Anling decreased by RMB9.3 million, or 27.2%, as compared with the six months ended June, 2015. It is mainly due to the severe local economy downturn in Jinzhou City and the structural changes in demand, while Jinzhou Maoshan Anling had not adjusted its product profile and management tactics in a timely manner responding to the market changes.

COST OF SALES AND SERVICES

The following table sets forth information relating to our cost of sales and services by segment for the Period:

	Six Months Ended			
	June 30, 2016		**June 30, 2015**	
	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	107,938	79.8%	104,083	81.1%
Funeral services	26,310	19.5%	19,048	14.8%
Auxiliary services	2,305	1.7%	5,259	4.1%
Inter-segment elimination	(1,363)	(1.0%)	—	—
Total	135,190	100.0%	128,390	100.0%

Our cost of sales and services increased by RMB6.8 million, or 5.3%, from RMB128.4 million for the six months ended June 30, 2015 to RMB135.2 million for the Period. The increases were mainly due to our business growth in burial and funeral services.

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

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	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	31,793	29.5%	31,881	30.6%
Land cost	14,228	13.2%	12,691	12.2%
Development cost	31,721	29.4%	27,559	26.5%
Taxes	5,457	5.0%	7,954	7.6%
Cemetery maintenance cost	7,683	7.1%	5,783	5.6%
Costs for other burial related services	17,056	15.8%	18,215	17.5%
Total	107,938	100.0%	104,083	100.0%

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

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 RMB47.1 million, or 10.3%, from RMB459.2 million for the six months ended June 30, 2015 to RMB506.4 million for the Period. We maintained a relatively high gross profit margin as we have been committing to and delivering 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 78.9% for the Period, slightly higher than the overall gross profit margin of 78.2% for the six months ended June 30, 2015. This was mainly due to the increased gross margin of burial services as a result of increased average selling price and effective cost control, while partially offset by the decreased gross margin of funeral services as a result of decreased revenue from two funeral facilities in Chongqing as discussed above.

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the Period:

	Six Months Ended			
	June 30, 2016		**June 30, 2015**	
	Gross Profit (RMB'000)	*Gross Profit Margin (%)*	*Gross Profit (RMB'000)*	*Gross Profit Margin (%)*
Burial services	462,218	81.1%	411,918	79.8%
Funeral services	43,761	62.5%	48,534	71.8%
Auxiliary services	620	21.2%	(1,229)	(30.5)%
Inter-segment elimination	(248)	15.4%	—	—
Total	506,351	78.9%	459,223	78.2%

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:

	Six Months Ended	
	June 30, 2016	**June 30, 2015**
	(RMB'000)	*(RMB'000)*
Interest income	17,907	19,401
Government grant	4,810	5,852
Management service income	1,304	3,084
Exchange gain	1,752	93
Others	237	154
Total	26,010	28,584

Our interest income decreased by RMB1.5 million from RMB19.4 million for the six months ended June 30, 2015 to RMB17.9 million for the Period, mainly due to the decreased yield rate in China capital market.

We received a government grant in the amount of RMB4.8 million for the Period, which represented unconditional subsidies from the local government to encourage and reward our contribution to the local economy.

DISTRIBUTION AND SELLING EXPENSES & ADMINISTRATIVE EXPENSES

Our operating expenses, accounting for 36.2% of our total revenue for the Period (36.5% for the six months ended June 30, 2015), increased by RMB17.5 million, or 8.1%, from RMB214.7 million for the six months ended June 30, 2015 to RMB232.2 million for the Period. The increase was mainly as the result of: (i) the operating expenses of RMB4.6 million from Changzhou Qifengshan, a subsidiary acquired in the second half of 2015, (ii) higher amortization on stock option by RMB3.0 million, as a result of the grant of new options during the Period, (iii) a couple of projects kicked off while still in start-up period, and (iv) general variable expenditures increase to support the business growth.

FINANCE COSTS

Finance costs for the Period consist of interest expense of RMB4.2 million on bank loans (six months ended June 30, 2015: RMB2.3 million), and interest expenses of RMB1.0 million (six months ended June 30, 2015: RMB2.1 million) on loans from non-controlling interests.

Interest expense on loans from non-controlling interests refers to our interest expense in connection with the shareholder's loans borrowed by our subsidiary, Shandong 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.

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. Our effective corporate income tax rate for the Period was 21.0% (six months ended June 30, 2015: 25.3%), 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 the Period as the tax uncertainties of which have been resolved.

The income tax expenses decreased by RMB6.0 million, or 8.9%, from RMB67.9 million for the six months ended June 30, 2015 to RMB61.9 million for the Period, mainly due to the reversal of certain prior year provision and fact that certain subsidiaries are agreed to treat the employees' profit from exercising stock option as staff costs when assessing their corporate income tax in the Period, while such treatment was not applied until the year end in 2015.

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 RMB19.1 million, or 12.0%, from RMB158.8 million for the six months ended June 30, 2015 to RMB177.9 million for the Period. This increase was primarily due to: (i) the overall growth of our revenue by 9.2% from our cemeteries and funeral facilities; (ii) the relatively stable ratio of operating expenditures vs. total revenue; (iii) the slightly higher gross margin; and (iv) the decreased effective corporate income tax rate.

CASH FLOW

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

	Six Months Ended	
	June 30, 2016 *(RMB'000)*	**June 30, 2015** *(RMB'000)*
Net cash generated from (used in)		
— operating activities	211,520	166,404
— investing activities	(206,409)	(120,490)
— financing activities	(113,579)	(50,081)
Total	(108,468)	(4,167)

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 burial plots, 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 effects of changes in working capital and taxation. Our net cash generated from operating activities amounted to RMB211.5 million for the Period, representing 27.1% increase as compared to the six months ended June 30, 2015. It mainly included the operating cash inflows before movement in working capital of RMB333.9 million, but partially offset by (i) the increase of other working capital of RMB58.1 million due to the business growth and the settlement of certain payables near Chinese new year, and (ii) income tax paid of RMB64.3 million.

During the Period, we used net cash in investing activities by RMB206.4 million. It was primarily due to: (i) deposits and advances of RMB21.0 million to acquire new cemeteries and funeral facilities, (ii) our additions to and deposits for property and equipment of approximately RMB31.1 million, mainly in connection with our landscape upgrade in the cemeteries we acquired recent years since IPO and decoration improvement in certain funeral facilities; and (iii) the placement of time deposits of RMB169.0 million. It was partially offset by the interests received of RMB15.2 million during the Period.

Our net cash used in financing activities amounted to RMB113.6 million for the Period. It was primarily due to: (i) final dividends for 2015 paid to the owners of the Company of RMB42.2 million, (ii) dividends paid to non-controlling interests of RMB48 million, (iii) net decrease of bank loans of RMB23.5 million, and (iv) interest paid of approximately RMB4.9 million for our borrowings. It was partially offset by the proceeds received of RMB5.1 million related to the exercise of certain employee share options.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2016, we had bank balances and cash of RMB1,168.3 million (December 31, 2015: RMB1,276.8 million) and time deposits of RMB169.0 million (December 31, 2015: Nil). 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 RMB144.0 million as at June 30, 2016, within which there are borrowings of RMB60.0 million repayable within one year, RMB21.0 million repayable within two years, RMB21.0 million repayable within three years, RMB20.7 million repayable within four years, and RMB21.3 million repayable within five years. These borrowings were dominated in RMB and were subject to floating interest rates ranged from 4.6% to 4.998% per annum. Meanwhile, Shandong Fu Shou Yuan, one of our subsidiaries, also had an outstanding loan balance of RMB38.2 million as at June 30, 2016, with interest rate of 5.06% per annum, without specific repayment schedule, from its non-controlling shareholder, Shandong World Trade Centre.

In addition, we had bank borrowing facilities of approximately RMB466.0 million committed but not withdrawn as at June 30, 2016. Besides, we had another bank borrowing facility of RMB500 million in renewing process.

GEARING RATIO

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as of June 30, 2016 was 6.5% (December 31, 2015: 7.8%). 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 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 exposed us to foreign currency risk. As at June 30, 2016, cash and cash equivalents held in RMB, HK$ and US$ accounted for 94.8%, 2.6% and 2.6% 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

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 Tai'an City of Shandong Province and an investment agreement in relation to the construction and operation of a funeral home in Tai'an City under the "BOT" model with relevant local authorities. A wholly owned subsidiary was set up in the Period to serve as the business vehicle for the funeral home business. 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. A jointly invested company was set up in the Period to serve as the business vehicle of the cooperation. The cooperation is currently in the start-up stage.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2016, we had 1,736 full-time employees (December 31, 2015: 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 provided in the financial statements, for the capital expenditures in respect of acquisition of subsidiaries, land, other investments, property and equipment in an amount of approximately RMB39.4 million as at June 30, 2016. We had also authorized approximately RMB55.5 million for the acquisition of parcels of land in Nanchang City and Changzhou City via our subsidiaries there and planned to provide approximately RMB300 million for the acquisition or construction of new cemeteries and funeral facilities in Xuancheng City, Tai'an City and Bishan District of Chongqing Municipality as discussed above.

We expect our capital expenditure in the following months of the year 2016 and afterwards will maintain at a relatively high level as we are actively seeking for and approached by many industry consolidation opportunities.

ASSETS PLEDGED

As at June 30, 2016, 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

As previously disclosed, one of our indirect and non-wholly owned subsidiaries, Wuyuan Wanshoushan Cemetery, was involved in a couple of lawsuits as a defendant. During the Period, it was sued in another 3 lawsuits with claims of approximately RMB6 million. There are 9 lawsuits outstanding with claims totaling over RMB44 million, where Wuyuan Wanshoushan Cemetery was charged as a defendant, as at June 30, 2016.

As at the date of this announcement, the above mentioned outstanding proceedings of these lawsuits 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 our burial services, out of which, sale of burial plots represented the largest component of our revenue from burial services. During the Period, we expended land of approximately 18,482 sq.m. to generate revenue from sale of burial plots. Our total saleable area as at June 30, 2016 maintains at approximately 1.59 million sq.m.

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.

PROSPECTS

Looking ahead, we will remain an influential player of China's death care service and will continue to take the lead to drive the modernization of the death care business of the PRC, and promote the healthy development of the national death care culture with humanity, charity and environmental protection in mind. We will adhere to our strategic goals, look for suitable growth opportunities, strive for external development, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share. We will also push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business operation, we will consolidate newly acquired businesses and raise their standards on a par with ours. Meanwhile, we will strive to make our cremation business to become an important segment of the Group's business. With much effort to promoting the pre-need contract business and innovative ideas in our collaboration with local governments, we will strive to increase the percentage of our funeral services in the Group's business. Last but not least, while promoting growth in various business segments, we will strive for a balance between short-term interest and long-term value, expand our business in a more steady and sustainable pace, and stay focused on managing Fu Shou Yuan, a living entity that carries memories and emotions, with a view to consistently rewarding our investors with the best returns.

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 June 30, 2016, we had used approximately HK$160.7 million towards acquiring new lands, approximately HK$22.1 million to set up new funeral facilities, approximately HK$997.5 million for mergers and acquisitions of other cemeteries and funeral facilities in the PRC, and approximately HK$40.0 million to expand 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 afterwards.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.57 cents per Share for 2016. The interim dividend is expected to be payable to the Shareholders on or before Friday, September 23, 2016. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, September 2, 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, August 30, 2016 to Friday, September 2, 2016, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, August 29, 2016.

DIRECTOR'S SECURITIES TRANSACTIONS

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

No incident of non-compliance with the Model Code by the Directors was noted by the Company throughout the Period.

CORPORATE GOVERNANCE

The Company recognizes the importance of corporate transparency and accountability. The Company is committed to achieving high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of opinion that the Company has complied with the code provisions as set out in the CG Code throughout the Period.

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

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

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The unaudited condensed consolidated financial report of the Group for the Period have been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 — "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor will be included in the interim report of the Company to be dispatched to the Shareholders.

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 the accounting principles and policies adopted by the Group, and the Group's unaudited interim results for the Period.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, there was no other significant events that might affect the Group since the end of the Period.

PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2016 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsygroup.com). The interim report for the six months ended June 30, 2016 will be dispatched 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.*(常州棲鳳山國際文化陵園有限公司), 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 Yongchuan of Chongqing Municipality 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" or "Fu Shou Yuan"	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
"Director(s)"	the director(s) of the Company
"EIT Law"	the Law of the PRC on Enterprise Income Tax
"FSY Hong Kong"	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in HK on October 10, 2011. It is a direct held subsidiary of the Company
"Global Offering" or "IPO"	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 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
"Huaibei Fangshan Cemetery"	A cemetery in Huaibei City of Anhui Province and operated by Huaibei Fu Shou Yuan Memorial Park Co., Ltd.* (淮北福壽園紀念陵有限責任公司), a limited company established under laws of the PRC and a joint venture of the Company
"Jinzhou Maoshan Anling"	a cemetery in Jinzhou City of Liaoning Province and operated by Jinzhou City MaoshanAnling 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
"Period"	the six months ended June 30, 2016
"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 States 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
"%"	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 and Executive Director

Hong Kong, August 12, 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.