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, 2016

2016 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the year ended December 31, 2016 amounted to approximately RMB1,267.7 million, representing an increase of approximately 14.4% compared with the year ended December 31, 2015.
- Profit and total comprehensive income attributable to owners of the Company amounted to approximately RMB339.0 million, representing an increase of approximately 19.2% compared with the year ended December 31, 2015.
- Basic earnings per Share amounted to approximately RMB16.2 cents, representing an increase of approximately 18.2% compared with the year ended December 31, 2015.
- The Board proposed a final dividend of HK2.60 cents per Share for the year ended December 31, 2016.

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, 2016 together with the comparative figures for the year ended December 31, 2015 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, 2016

	NOTES	**2016** *RMB'000*	**2015** *RMB'000*
Revenue	4	1,267,655	1,107,960
Cost of sales and services		(265,303)	(248,161)
Gross profit		1,002,352	859,799
Other income and gains, net	5	58,823	63,183
Distribution and selling expenses		(217,517)	(205,442)
Administrative expenses		(278,874)	(250,135)
Share of profits of a joint venture		485	—
Finance costs		(8,256)	(7,799)
Profit before taxation		557,013	459,606
Income tax expense	6	(108,508)	(94,437)
Profit and total comprehensive income for the year		448,505	365,169
Profit and total comprehensive income attributable to:			
Owners of the Company		338,974	284,444
Non-controlling interests		109,531	80,725
		448,505	365,169
		RMB cents	RMB cents
Earnings per share - Basic	7	16.2	13.7
- Diluted	7	15.7	13.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	NOTES	**2016** *RMB'000*	**2015** *RMB'000*
Non-current assets			
Property and equipment	8	377,429	361,314
Prepaid lease payment		21,620	20,029
Investment property		6,509	—
Intangible assets		14,035	14,388
Goodwill	9	290,634	267,661
Deposits paid for acquisition of land use rights		49,329	60,157
Cemetery assets	10	1,104,531	1,048,331
Investment in a joint venture		30,485	30,000
Deposit for acquisition of a subsidiary		—	38,001
Restricted deposits		32,216	28,632
Deferred tax assets	17	27,513	29,523
Other long-term assets		13,800	14,400
		1,968,101	1,912,436
Current assets			
Inventories	11	372,407	339,522
Trade and other receivables	12	62,954	34,846
Time deposits		293,850	—
Bank balances and cash	13	1,238,906	1,276,761
		1,968,117	1,651,129
Current liabilities			
Trade and other payables	14	287,642	277,908
Deferred income	16	18,200	15,694
Income tax liabilities		114,884	126,059
Borrowings	15	60,450	63,450
		481,176	483,111
Net current assets		1,486,941	1,168,018
Total assets less current liabilities		3,455,042	3,080,454

	NOTES	**2016**	**2015**
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred income	16	223,070	198,450
Other long-term liability		5,910	—
Loans from non-controlling interests		34,360	38,173
Borrowings	15	73,520	104,020
Deferred tax liabilities	17	89,142	90,042
		426,002	430,685
Net assets		3,029,040	2,649,769
Capital and reserves			
Share capital		127,470	126,601
Reserves		2,408,710	2,109,328
Equity attributable to owners of the Company		2,536,180	2,235,929
Non-controlling interests		492,860	413,840
Total equity		3,029,040	2,649,769

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 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 is 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 Year.

The application of the amendments to IFRSs in the Year 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 except for investment property which is measured at fair values at the end of each reporting period 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 and cremation machines is recognized when the goods are delivered and titles have 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 goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods 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:

	2016	**2015**
	RMB'000	*RMB'000*
Burial Services		
Sale of burial plots		
Customized burial (note (a))	274,499	214,468
Artistic burial (note (b))	448,867	357,016
Traditional burial	213,522	232,944
Lawn burial (note (c))	48,954	49,590
Green burial (note (d))	15,894	12,860
Indoor burial	14,679	11,804
Other burial-related services (note (e))	76,712	65,492
Cemetery maintenance services	18,682	16,002
	1,111,809	960,176
Funeral services	142,288	140,124
Auxiliary services	17,480	12,352
Inter-segments elimination	(3,922)	(4,692)
	1,267,655	1,107,960

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:

	2016	**2015**
	Revenue	**Revenue**
	RMB'000	*RMB'000*
Shanghai	668,445	555,516
Henan	48,429	64,450
Chongqing	83,188	90,869
Anhui	124,591	102,891
Shandong	43,015	44,825
Liaoning	188,402	189,135
Jiangxi	36,336	27,337
Fujian	26,536	21,626
Zhejiang	5,126	2,784
Jiangsu	30,029	867
	1,254,097	1,100,300

5. **OTHER INCOME AND GAINS, NET**

	2016	2015
	RMB'000	*RMB'000*
Interest income	35,727	39,329
Government grants	10,721	15,101
Management service income	3,242	3,984
Exchange gain	4,909	5,624
Gain on a bequest from a customer	3,337	—
Fair value changes of investment real estates	3,069	—
Others	(2,182)	(855)
	58,823	63,183

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% 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 Year.

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:

	2016	2015
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	338,974	284,444
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,094,169,808	2,079,149,479
Effect of dilutive potential ordinary shares:		
Share options	58,387,175	51,931,665
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,152,556,983	2,131,081,144

8. PROPERTY AND EQUIPMENT

	2016	2015
	RMB'000	*RMB'000*
Buildings	205,768	197,818
Leasehold improvements	12,660	10,239
Furniture, fixtures and equipment	27,698	25,431
Motor vehicles	16,521	17,391
Construction in progress	114,782	110,435
	377,429	361,314

9. GOODWILL

The carrying amounts of goodwill arose from the acquisition of following subsidiaries:

	2016 *RMB'000*	2015 *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	47,245
Wuyuan Wanshoushan Cemetery	36,107	36,107
Anyang Tianshouyuan Cemetery	2,425	2,425
Changzhou Qifengshan Cemetery	87,425	87,425
Zaozhuang Shanting Xingtai	22,973	—
	290,634	267,661

10. CEMETERY ASSETS

	2016 *RMB'000*	2015 *RMB'000*
Land costs	712,277	664,717
Landscape facilities	151,720	151,478
Development cost	240,534	232,136
	1,104,531	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.

11. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Burial Plots	260,301	237,530
Tombstone	83,294	81,063
Others	28,812	20,929
	372,407	339,522

12. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	19,038	9,622
Other receivables comprise:		
Prepayments and rental deposits on properties	2,474	1,853
Performance bond for a new project	8,261	—
Staff advances	1,507	1,420
Entrusted loans (note)	14,400	16,210
Management service income receivable	1,200	—
Others	16,074	5,741
	43,916	25,224
	62,954	34,846

Note: The Group has advanced a loan to a cemetery for which the Group is providing management services.

The aging analysis of trade receivable presented based on the invoice date at the year end is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 - 180 days	10,266	—
181 - 365 days	—	9,622
Over one year but less than two years	8,772	—
	19,038	9,622

The Group ordinarily demands its customers for full cash settlement prior to or upon the delivery of burial services, funeral services and auxiliary services (other than sales of cremation machines) and therefore the Group does not maintain any material trade receivables. Before accepting any new customer for cremation machine business, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The amount of the Group's trade receivable as at year ends, derived from the transaction related to the tomb relocation funded by local government in Henan Province and the sales of our cremation machines. In determining the recoverability of the trade receivable, the Group reassesses any change in the credit quality of the trade receivable since the credit was granted and up to the date of this announcement. After reassessment, the directors of the Company are of the view that no allowance is required.

13. BANK BALANCES AND CASH

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

	2016	**2015**
Interest rate per annum		
- RMB	0.35%-3.54%	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:

	2016	**2015**
	RMB'000	*RMB'000*
HK$	39,290	72,280
US$	33,030	30,781
	72,320	103,061

14. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	105,051	99,405
Advances and deposits from customers	27,861	31,221
Payables for acquisition of property and equipment	704	1,380
Salary, welfare and bonus payables	96,904	85,273
Other accrued expenses	12,703	13,909
Consideration for acquisition of subsidiaries	10,668	11,140
Others	33,751	35,580
	287,642	277,908

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

	2016	2015
	RMB'000	*RMB'000*
0 - 90 days	30,384	41,981
91 - 180 days	19,941	19,025
181 - 365 days	27,754	19,875
Over 365 days	26,972	18,524
	105,051	99,405

The average credit period on purchases of goods is 181 to 365 days.

15. BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Bank borrowings		
- Secured by the Group's equity interest in subsidiaries	94,020	122,520
- Guaranteed by an independent third party	—	5,000
- Unsecured	39,950	39,950
	133,970	167,470
The carrying amounts of the above borrowings are repayable:		
Within one year	60,450	63,450
More than one year, but not exceeding two years	21,000	20,500
More than two years, but not more than five years	52,520	59,660
More than five years	—	23,860
	133,970	167,470

The bank borrowings carried interest at 4.35% to 4.998% per annum (2015: 4.60% to 6.61%).

16. 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.

17. DEFERRED TAXATION

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

	2016	2015
	RMB'000	*RMB'000*
Time difference for certain accruals and liabilities	22,809	25,357
Unused tax losses	4,704	4,166
Fair value adjustment	(89,142)	(90,042)
	(61,629)	(60,519)

18. DIVIDENDS

During the Year, the Company has declared and paid the final dividends of HK2.39 cents per share for 2015 and interim dividends of HK2.57 cents per share for 2016, totally amounting to approximately RMB88.6 million.

On March 17, 2017, a final dividend in respect of 2016 of HK2.60 cents per share was proposed by the Directors and is subject to approval by the Shareholders in the AGM.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the 2016 full-year results of the Group.

In 2016, China's economy was stable and positive. The gross domestic product (GDP) increased by 6.7% year-on-year, making a good start of the 13th Five-Year Plan. During 2016, the Group recorded good results by continuing to deepen its core business and expand its business coverage. The Group's revenue amounted to RMB1,267.7 million, representing an increase of 14.4% compared to the same period in 2015. Net profit was RMB448.5 million, representing an increase of 22.8% compared with 2015, of which profit and total comprehensive income attributable to shareholders was RMB339.0 million, representing of an increase 19.2% compared to the same period last year. The Board proposes a final dividend of HK2.60 cents per Share for 2016 to the Shareholders to reward all investors for their support. Together with the interim dividend of HK2.57 cents per Share distributed during the Year, the total dividend for the full year of 2016 is HK5.17 cents per share, which is in line with the Group's committed dividend policy to reward all investors for their support.

In 2016, the Group consolidated its development in core business and expanded its business area, laying a good foundation for the long-term development. Currently, cemeteries and funeral facilities controlled by the Group cover 16 cities across China. Changzhou Qifengshan Cemetery acquired at the end of 2015 delivered the expected revenue and the two cemeteries in Anyang City and Huaibei City started to generate revenue in 2016. Moreover, the Group also signed an agreement during the Year to acquire Luoyang Xianhe Cemetery to broaden the coverage in Henan, which further combined the traditional with modern death care industry culture. During the Year, the Group consistently deepened its cooperation with local governments by PPP (Public-Private Partnership) model, making further extension and improvement on the cooperation scope and model. In January and February 2016, the Group developed partnership with the local governments of Tai'an City in Shandong Province, and Bishan District in Chongqing Municipality under the BOT (Build-Operate-Transfer) model. Again the Group entered into an agreement with Xuancheng City of Anhui Province in September 2016. We believe that merger & acquisition and our extensive involvement with local governments in burial and funeral projects by PPP model will be the drivers for our long term stable growth with the marketization trend in death care services industry.

During the Year, the Group extended its business coverage and upgraded its industrial chain. In response to Guidelines on the Promotion of Land-saving Ecological Burial issued by the nine ministries including the Ministry of Civil Affairs, the Group not only enhanced the promotion and sales of the environmental funeral but also accelerated the research and development of the environmental facilities. Its self-developed environmental-friendly cremation machine successfully passed an authoritative environmental assessment and the accreditation of national expert level in June and December 2016 respectively, also has exported to Mongolia and Russia so far. The cremator business was recognized by the international market as soon as its start. Meanwhile, the Group achieved a strategic breakthrough in the pre-need contract market by establishing pre-need business department and launching trial sale of pre-need contract for funeral services. The good beginning constituted a solid foundation for further development of the new business.

2016 was the 60th year of China's reform in death care industry. Fu Shou Yuan is the participant and leader, also one of the beneficiaries of this reform. Fu Shou Yuan not only becomes "An indicator of growth" in industrial and investment field, but brings humanity, environmental protection, charity and care into their daily work based on the awareness of taking responsibilities for the enterprise, society, industry and history in order to promote the long-run development of the company and the industry. During the Year, "Fu Shou Yuan Life Service College" operated well and effectively. Cultural inheritance and talent reserve are the effective way for the Company's sustainable development and also the core code of Fu Shou Yuan. Besides, the Group constantly deepened international communication and cooperation by establishing "Brother Cemetery" with "Parque De Las Memorias" of Bolivia. All of these gained us recognition from various sectors of the community. During the Year, the Group won the honors such as "the Excellent Design Prize of the Sixth IDEA-KING Award", Gold Award in "Excellent Shanghai Public Relations Cases" and "2016 Outstanding Brand Image" of China Finance Summit. 2016 was the third year the Group entered into the Hong Kong capital market and Fu Shou Yuan is also officially included into list of eligible stocks to be traded under Shenzhen-Hong Kong Stock Connect Program. Also the Group was granted "IFAPC Outstanding Listed Companies Award 2016", which fully reflects investors' recognition for Fu Shou Yuan since its Listing.

Looking forward, the Group will further step up its development efforts in core business, explore extension business and work both on organic and extensive growth to provide diversified quality services to customers. The Group will also deeply carry out the principle of "innovation, harmony, green, openness, sharing" proposed by the central government to ensure it will continuously take development quality and efficiency as the center, to ensure the shareholders' benefits and maximize the values.

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.

On February 19, 2016, nine ministries, including the Ministry of Civil Affairs, jointly issued the Guidelines on the Promotion of Landing-saving Ecological Burial to promote eco-burial and intensify funeral reform, which will have a direct and far-reaching effect on the death care service industry in China.

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

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 comeliness, transform the 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 2016, the Group has as always continued to put efforts in enhancing the landscaping and cultural setting of existing cemeteries, improving service quality, and offering innovative services and products. The beautiful cemeteries meticulously constructed by us and the customized services that we strived to provide continued to gain widespread recognition from our customers.

Leveraging the capital strength achieved from the Group's Listing and our vision on the death care industry and management experience, we have been expanding our business by collaborating with local governments, and 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. In September 2016, we were approved to establish and operate a local funeral facility together with a cemetery in Xuancheng City of Anhui Province. We are striving for the earliest possible completion of the projects in these 4 cities, including the one in Dafeng City of 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 increase the percentage weight of the funeral service within the Group's whole business.

Our two cemeteries in Anyang City and Huaibei City started to generate revenue during the Year. Changshou Qifengshan Cemetery acquired at the end of 2015 also delivered the expected revenue. We signed agreement to acquire 80% equity interest in Luoyang Xiaohe Cemetery in September 2016 and completed the acquisition in January 2017. As at December 31, 2016, excluding the projects under development, we own up to 13 cemeteries in operation, and were operating up to 11 funeral facilities. We also generate revenue by providing management services to three small cemeteries. The geographic coverage of our business has expanded to 16 cities in 10 provinces or municipalities in the PRC. The expanding business footprints lay a good foundation for the Group's future development.

We obtained accredited environmental testing and authoritative recognition of national expert level on our self-developed environmental-friendly cremation machine in June 2016 and in December 2016 respectively. The first batch of products exported to Mongolia and Russia in December 2016. We believe our environmental friendly cremator business will make considerable contribution to the Group's business growth in 2017 and afterwards.

During the Year, we established pre-need business department, launched trial sale of pre-need contract for funeral services, and achieved encouraging feedbacks. This is a significant move for the Group to strategically 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 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 2016, we granted fourth batch of share options under the 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 by strengthening the budget control, internal management system and information technology.

As a result of all these efforts, we achieved impressive growth despite of the slow-down of China's economy growth. During 2016, the Group recorded the sale of 13,142 tombs and provided 16,751 funeral services. The total revenue amounted to RMB1,267.7 million, representing an increase of 14.4% year over year. Our gross profit margin and revenue per square meter of land were also further improved, as compared to last year. The Group made a net profit totaling RMB448.5 million, representing an increase of 22.8% compared to last year. Net profit attributable to our shareholders was RMB339.0 million, representing an increase of 19.2% as compared to last year.

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:

	Year ended December 31			
	2016		2015	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Burial services	1,111,809	87.7%	960,176	86.7%
Funeral services	142,288	11.2%	140,124	12.6%
Auxiliary services	17,480	1.4%	12,352	1.1%
Inter-segment elimination	(3,922)	(0.3%)	(4,692)	(0.4%)
Total	1,267,655	100.0%	1,107,960	100.0%

Our revenue increased by RMB159.7 million, or 14.4%, from RMB1,108 million for 2015 to RMB1,267.7 million for 2016. This increase was primarily driven by a 15.8%, or RMB151.6 million, increase in revenue from burial services.

We obtained accredited environmental testing and authoritative recognition of national expert level on our environmental-friendly cremation machine in June 2016 and in December 2016 respectively. We exported the first batch of environmental-friendly cremation machine to Mongolia and Russia and recorded revenue of approximately RMB7.9 million, in December 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 Year:

	Year ended December 31			
	2016		**2015**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai	668,445	53.3%	555,516	50.4%
Henan	48,429	3.9%	64,450	5.9%
Chongqing	83,188	6.7%	90,869	8.3%
Anhui	124,591	9.9%	102,891	9.4%
Shandong	43,015	3.4%	44,825	4.1%
Liaoning	188,402	15.0%	189,135	17.1%
Jiangxi	36,336	2.9%	27,337	2.4%
Fujian	26,536	2.1%	21,626	2.0%
Zhejiang	5,126	0.4%	2,784	0.3%
Jiangsu	30,029	2.4%	867	0.1%
Total	1,254,097	100.0%	1,100,300	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 the Year. As a result, we achieved growth as compared to last year in majority of locations where we operate. We completed the acquisition of the controlling equity in Changzhou Qifengshan Cemetery in December 2015. It contributed revenue of RMB30.0 million for the Year. The revenue from Henan region decreased by RMB16.0 million, or 24.9%, as compared to last year. 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 last year, while such revenue related to the tomb relocation for the Year only amounted to RMB1.8 million from 120 plots. The revenue from Chongqing region decreased by RMB7.7 million, or 8.5% as compared to 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 have been approaching this funeral parlour for possible cooperation, actively exploring other suitable sites to increase our funeral service coverage in Chongqing and improving marketing penetration. We will also leverage the synergy to improve the performance considering we have relatively complete business line, including funeral wake, cremation, cemetery and columbarium in Chongqing.

BURIAL SERVICES

We derived a substantial portion of our revenue from burial services, which represented 87.7% (2015: 86.7%) of our total revenue for 2016. 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 2016. 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:

	Year ended December 31							
	2016				**2015**			
	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	812	338,053	274,499	24.7%	724	296,227	214,468	22.3%
- Artistic	4,404	101,922	448,867	40.4%	6,692	53,350	357,016	37.2%
- Traditional	5,229	40,834	213,522	19.2%	5,534	42,093	232,944	24.3%
- Lawn	700	69,935	48,954	4.4%	780	63,577	49,590	5.2%
- Green	980	16,218	15,894	1.4%	2,506	5,132	12,860	1.3%
- Indoor	1,017	14,434	14,679	1.3%	1,086	10,869	11,804	1.2%
- Other burial related services	—	—	76,712	6.9%	—	—	65,492	6.8%
	13,142	—	1,093,127	98.3%	17,322	—	944,174	98.3%
Cemetery maintenance services	—	—	18,682	1.7%	—	—	16,002	1.7%
Total revenue from burial services	13,142	—	1,111,809	100.0%	17,322	—	960,176	100.0%

We sold 12,486 burial plots, excluding 536 plots charged with very low prices in Haigang Fu Shou Yuan for public welfare purpose and 120 plots sold by Henan Fu Shou Yuan to accommodate the tomb relocation funded by local government for the Year. While we sold 11,397 burial plots, excluding those plots in relation to public welfare and relocation for 2015. The number of burial plots we sold increased by 1,089 units, or 9.6% from our ordinary business as compared to last year. Among 1,089 units, 527 burial plots were sold by Changzhou Qifengshan Cemetery, a subsidiary acquired in December 2015, for the Year.

The average selling price of burial plots, excluding those plots for public welfare and tomb relocation purpose as mentioned above, was RMB87,357 per unit for the Year. It is increased by RMB7,146 per unit, or 8.9%, from RMB80,211 per unit for 2015.

We have 13 cemeteries in operation as of December 31, 2016, and have been deriving revenue from 12 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 Year:

	Year ended December 31			
	2016		**2015**	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Shanghai Fu Shou Yuan	461,124	41.5%	390,287	40.6%
Haigang Fu Shou Yuan	191,258	17.2%	151,272	15.8%
Henan Fu Shou Yuan	46,926	4.2%	63,674	6.6%
Shandong Fu Shou Yuan	43,015	3.9%	44,825	4.7%
Hefei Dashushan Cultural Cemetery	89,031	8.0%	71,589	7.4%
Jinzhou Maoshan Anling	46,960	4.2%	60,713	6.3%
Chongqing Baitayuan	31,742	2.9%	25,332	2.6%
Meilin Century Cemetery	22,973	2.1%	17,847	1.9%
Guanlingshan Cultural Cemetery	141,442	12.7%	128,422	13.4%
Wuyuan Wanshoushan Cemetery	5,806	0.5%	4,573	0.5%
Anyang Tianshouyuan Cemetery	1,503	0.1%	776	0.1%
Changzhou Qifengshan Cemetery	30,029	2.7%	866	0.1%
Total revenue from burial services	1,111,809	100.0%	960,176	100.0%

	Year ended December 31			
	2016		2015	
	Revenue (RMB'000)	*% of total revenue*	*Revenue (RMB'000)*	*% of total revenue*
Joint venture's revenue from burial services				
Huaibei Fangshan Cemetery	4,322	100.0%	—	—

Total consolidated revenue from burial services for the Year increased by RMB151.6 million, or 15.8%, as compared to 2015. We achieved stable growth for the Year as compared to last year in majority of the cemeteries where we operate. However, the revenue from Henan Fu Shou Yuan decreased by RMB16.7 million, or 26.3%, as compared to 2015, with a reason discussed above. The revenue from Jinzhou Maoshan Anling decreased by RMB13.8 million, or 22.7%, as compared to 2015. It is mainly due to the severe local economy downturn in Jinzhou City, the structural changes in demand, and disordered competition from cemeteries originally established for public service purpose. Jinzhou Maoshan Anling will adjust its product profile to intensify the differentiating strategy in a timely manner, and promote its core competitive competency.

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:

	Year ended December 31			
	2016		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	207,679	78.3%	195,235	78.7%
Funeral services	49,859	18.8%	43,968	17.7%
Auxiliary services	11,487	4.3%	11,750	4.7%
Inter-segment elimination	(3,722)	(1.4%)	(2,792)	(1.1%)
Total	265,303	100.0%	248,161	100.0%

Our cost of sales and services increased by RMB17.1 million, or 6.9%, from RMB248.2 million for 2015 to RMB265.3 million for 2016. 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:

	Year ended December 31			
	2016		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	63,774	30.7%	60,000	30.7%
Land cost	30,770	14.8%	24,369	12.5%
Development cost	61,008	29.4%	51,944	26.7%
Taxes	4,633	2.2%	14,720	7.5%
Cemetery maintenance cost	11,415	5.5%	9,140	4.7%
Costs for other burial related services	36,079	17.4%	35,062	17.9%
Total	207,679	100.0%	195,235	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 RMB142.6 million, or 16.6%, from approximately RMB859.8 million for 2015 to approximately RMB1,002.4 million for 2016. 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 79.1% for the Year, slightly higher than the overall gross profit margin of 77.6% for 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 Year:

	Year ended December 31			
	2016		2015	
	Gross Profit (RMB'000)	*Gross Profit Margin (%)*	*Gross Profit (RMB'000)*	*Gross Profit Margin (%)*
Burial services	904,130	81.3%	764,941	79.7%
Funeral services	92,429	65.0%	96,156	68.6%
Auxiliary Services	5,993	34.3%	602	4.9%
Inter-segment elimination	(200)	5.1%	(1,900)	40.5%
Total	1,002,352	79.1%	859,799	77.6%

OTHER INCOME AND GAINS, NET

Our interest income decreased by RMB3.6 million from RMB39.3 million for 2015 to RMB35.7 million for 2016, mainly due to the decreased yield rate in China capital market.

We received government grants in the amount of RMB10.7 million for 2016, which represented unconditional subsidies from the local government to encourage and reward our contribution to the local economy.

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 the Year, we recorded net income of RMB3.2 million for such services provided.

We recorded exchange gain of RMB4.9 million for 2016, as a result of appreciation of Hong Kong dollar and US dollar against RMB during the Year.

An apartment in Shanghai was left as a bequest to us from one of our customers. We recorded a gain of RMB6.3 million, including the fair value change of RMB3.1 million related to this apartment during the Year.

DISTRIBUTION AND SELLING EXPENSES & ADMINISTRATIVE EXPENSES

Our operating expenses, accounting for 39.2% of our total revenue for 2016 (41.1% for 2015), increased by RMB40.8 million, or 9.0%, from RMB455.6 million for 2015 to RMB496.4 million for 2016. The increase was mainly as the result of: (i) the operating expenses of RMB9.6 million from Changzhou Qifengshan, a subsidiary acquired in December 2015, (ii) higher amortization on stock option by RMB6.8 million, as a result of the grant of new options during the Year, (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 2016 consist of interest expense of RMB5.9 million (2015: RMB4.4 million) on bank loans, and interest expenses of RMB2.3 million (2015: 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 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 provided 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 rates for 2016 was 19.5% (2015: 20.5%). 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; and (iii) we have also reversed certain prior year tax provisions during the Year as the tax uncertainties of which have been resolved.

The income tax expense increased by approximately RMB14.1 million, or 14.9% from approximately RMB94.4 million for 2015 to approximately RMB108.5 million for 2016, 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 RMB54.5 million, or 19.2%, from approximately RMB284.4 million for 2015 to approximately RMB339.0 million for 2016. This increase was primarily due to: (i) the overall growth of our revenue by 14.4%; (ii) the effective cost and expenditure control; and (iii) 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 Year:

	Year ended December 31	
	2016	**2015**
	(RMB'000)	*(RMB'000)*
Net cash generated from (used in)		
- operating activities	455,423	366,578
- investing activities	(340,500)	(381,434)
- financing activities	(152,778)	(5,140)
Total	(37,855)	(19,996)

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 2016, our net cash generated from operating activities amounted to approximately RMB455.4 million, representing 24.2% increase as compared to that for 2015. It mainly included the operating cash inflows before movement in working capital of approximately RMB627.0 million, and partially offset by the increase of other working capital of approximately RMB50.1 million and the income tax paid of approximately RMB121.5 million.

For 2016, our net cash used in investing activities was approximately RMB340.5 million. It was primarily due to: (i) considerations, deposits and advances of RMB30.5 million paid to acquire new cemeteries and funeral facilities, (ii) our additions to and deposits for property and equipment of approximately RMB47.2 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 RMB293.9 million. It was partially offset by the interests received of approximately RMB32.8 million for the Year.

Our net cash used in financing activities amounted to approximately RMB152.8 million for 2016. It was primarily due to: (i) final dividends for 2015 paid to owners of the Company of RMB42.2 million and interim dividends for 2016 of RMB46.3 million, (ii) dividends paid to non-controlling interests of approximately RMB69.8 million, (iii) net decrease of bank loans of RMB33.5 million, and (iv) interest paid of approximately RMB10.1 million for our borrowings. It was partially offset by: (i) capital injection of approximately RMB39.2 million from non-controlling interests of a subsidiary, and (iii) proceeds received of approximately RMB13.7 million related to the exercise of certain employee share options.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2016, we had bank balances and cash of approximately RMB1,238.9 million (December 31, 2015: RMB1,276.8 million) and time deposits of approximately RMB293.9 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 approximately RMB134.0 million as at December 31, 2016, within which there are borrowings of RMB60.5 million repayable within one year, RMB21.0 million repayable within two years, RMB20.8 million repayable within three years, RMB17.8 million repayable within four years, and RMB13.9 million repayable within five years. These borrowings were denominated in RMB and were subject to floating interest rates ranged from 4.35% to 4.998% per annum. Meanwhile, Shandong Fu Shou Yuan, one of our subsidiaries, also had an outstanding loan balance of approximately RMB34.4 million 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 RMB1,326 million committed but not withdrawn as at December 31, 2016.

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, 2016 was 5.6% (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 relatively 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, 2016, cash and cash equivalents and time deposits held in RMB, Hong Kong dollars and US dollars accounted for approximately 88.7%, 2.6% and 8.7% respectively, of the total cash and cash equivalents and time deposits. 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. The cooperation is currently in the early 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 cemetery and funeral home are under construction.

On September 2, 2016, we entered into an agreement to establish and operate a funeral home together with a cemetery in Xuancheng City of Anhui Province with relevant local authorities. The project is currently in the start-up stage.

On September 28, 2016, we entered into an agreement to acquire 80% equity interest in Luoyang Xianhe Cemetery with a total consideration of RMB 57.6 million. Luoyang Xianhe Cemetery has been mainly providing burial services and holds land use right for a parcel of land measuring 26,000 sq. m. in Luoyang City of Henan Province. The acquisition was completed in January 2017.

During the Year, we also completed the acquisition of 100% equity in Zaozhuang Shanting Xingtai, and commenced to consolidate its financial statements since November 1, 2016.

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2016, we had 1,724 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 RMB90.8 million as at December 31, 2016. We had also planned to provide approximately RMB260 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 and approximately RMB70 million for the general capital expenditure of the existing cemeteries and funeral facilities.

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, 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 material 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. Excluding a lawsuit dropped by the plaintiff on March 9, 2017, there are 7 lawsuits outstanding with claims totaling over RMB42 million, where Wuyuan Wanshoushan Cemetery was charged as a defendant, as at December 31, 2016. In January 2017, The Company has been informed that two law suits were concluded by the People's Court. The second-instance judgments were awarded against Wuyuan Wanshoushan Cemetery for approximately RMB29 million. The total disputed amounts of the remaining 5 proceedings are approximately RMB13 million as at the date of this announcement. We are still in the process of taking all necessary steps in reversing the judgements and vigorously defending against the proceedings. As of the date of this announcement, after taking into account of the legal opinions and the current status of the proceedings, the Directors are of the view that the proceedings will in the end result in a material adverse impact on the financial position and business operation of the Group is not probable and conclude that no provision shall necessarily be made. However, given the nature of the proceedings, it would be impossible to predict the outcome of the proceedings with a sufficient degree of certainty.

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. During the Year, we expended land of approximately 35,644 sq.m. to generate revenue from sale of burial plots. However, our total saleable area as at December 31, 2016 increased by approximately 203,800 sq.m. to approximately 1.81 million sq.m. from that of 1.61 million sq.m. as at December 31, 2015, as we completed to acquire the controlling equity interest in Shanting Xingtai and the land use rights for an additional piece of land for cemetery development purpose in Guanlingshan Cultural Cemetery.

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

As disclosed in the section of "Contingent Liabilities", the Company has been informed that two law suits were concluded by the People's Court in January 2017. The second-instance judgments were awarded against Wuyuan Wanshoushan Cemetery for approximately RMB29 million. The Company has also been informed that another lawsuit, involving approximately RMB6 million, was dropped by the plaintiff on March 9, 2017.

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

PROSPECTS

Looking ahead, we will remain an influential player of China's death care services industry 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 machine 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 December 31, 2016, we had used approximately HK$272.0 million towards acquiring new lands, approximately HK$25.2 million to set up new funeral facilities, approximately HK$1,009.6 million for mergers and acquisitions of other cemeteries and funeral facilities in the PRC, and approximately HK$46.1 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.

ANNUAL GENERAL MEETING

The AGM will be held on May 15, 2017 and the notice of AGM is expected to be published and despatched to the Shareholders on or about April 10, 2017.

FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK2.60 cents per Share for the year ended December 31, 2016 (2015: HK2.39 cents), which is subject to the approval by the Shareholders at the AGM. The final dividend is expected to be payable to the Shareholders on or about Tuesday, June 6, 2017. 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 Wednesday, May 24, 2017.

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 Wednesday, May 10, 2017 to Monday, May 15, 2017, 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 Tuesday, May 9, 2017.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Monday, May 22, 2017 to Wednesday, May 24, 2017, 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 Friday, May 19, 2017.

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 Year.

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

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.

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.

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.

PUBLICATION OF ANNUAL RESULTS AND 2016 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 2016 annual report will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"AGM"	the annual general meeting of the Company to be held on May 15, 2017
"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 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 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 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
"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", "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
"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 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)
"Luoyang Xianhe Cemetery"	A cemetery in Luoyang City of Henan Province and operated by Luoyang Xianhe Memorial Cemetery Co., Ltd.* (洛陽仙鶴紀念陵園有限公司), a limited company established under the PRC and a subsidiary of the Company since January 2017
"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$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on December 3, 2013
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" 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"	year ended December 31, 2016
"Zaozhuang Shanting Xingtai"	Zaozhuang Shanting Xingtai Funeral Service Co., Ltd.* (棗莊市山亭興泰殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2016
"%"	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, March 17, 2017

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.