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, 2019

2019 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the Year amounted to approximately RMB1,850.6 million, representing an increase of approximately 12.1% compared to that of Last Year.
- Profit and total comprehensive income attributable to owners of the Company for the Year amounted to approximately RMB578.6 million, representing an increase of 18.5% compared to that of Last Year.
- Basic earnings per Share for the Year amounted to approximately RMB25.9 cents, representing an increase of 16.7% compared to that of Last Year.
- The Board has declared a final dividend of HK4.21 cents per Share for the Year.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2019 together with the comparative figures for Last Year as set out below. The consolidated results are audited by the external auditor and have been reviewed by the Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	4	**1,850,574**	1,651,299
Operating expenditures			
Staff costs		**(416,125)**	(401,192)
Construction costs		**(72,897)**	(70,137)
Consumed materials and goods		**(141,477)**	(117,113)
Outsourced service costs		**(54,418)**	(55,002)
Marketing and sales channel costs		**(38,671)**	(43,876)
Depreciation and amortization		**(123,170)**	(92,730)
Other general operating expenditures		**(139,039)**	(137,717)
Inventory changes		**4,564**	(10,638)
Profit from operations		**869,341**	722,894
Other income, gains and losses		**88,632**	60,172
Share of loss of a joint venture		**(176)**	—
Finance costs		**(11,128)**	(8,293)
Profit before taxation	5	**946,669**	774,773
Income tax expense	6	**(211,350)**	(159,140)
Profit and total comprehensive income for the year		**735,319**	615,633
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**578,579**	488,364
Non-controlling interests		**156,740**	127,269
		735,319	615,633
		RMB cents	*RMB cents*
Earnings per share			
— Basic	7	**25.9**	22.2
— Diluted	7	**25.7**	21.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property and equipment	8	**549,072**	545,000
Right-of-use assets		**122,781**	—
Prepaid lease payments		—	34,072
Investment property		**6,509**	6,509
Intangible assets		**126,140**	21,643
Goodwill	9	**441,581**	428,021
Financial assets at fair value through profit or loss	15	**38,110**	29,761
Deposits paid for acquisition of land use rights		**9,054**	19,655
Cemetery assets	11	**1,519,449**	1,415,849
Investments in an associate		**750**	750
Investment in joint ventures	10	**35,741**	—
Restricted deposits		**56,268**	46,852
Deferred tax assets	20	**54,450**	45,377
Other long-term assets		**5,000**	25,339
		2,964,905	2,618,828
Current assets			
Inventories	12	**481,059**	448,003
Trade and other receivables	13	**106,475**	51,504
Financial assets at fair value through profit or loss	15	**417,580**	577,420
Time deposits	16	**8,459**	48,298
Bank balances and cash	14	**2,007,142**	1,493,651
		3,020,715	2,618,876
Current liabilities			
Trade and other payables	17	**598,306**	434,296
Lease liabilities		**19,630**	—
Contract liabilities	19	**47,317**	35,442
Loans from non-controlling shareholders of subsidiaries		**43,938**	26,950
Income tax liabilities		**134,669**	143,927
Borrowings	18	**22,500**	75,000
		866,360	715,615
Net current assets		**2,154,355**	1,903,261
Total assets less current liabilities		**5,119,260**	4,522,089

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Contract liabilities	19	**335,839**	301,801
Lease liabilities		**63,110**	—
Other long-term liabilities		**21,345**	13,774
Loans from non-controlling shareholders of subsidiaries		**6,000**	31,969
Borrowings	18	**13,860**	28,860
Deferred tax liabilities	20	**93,893**	94,802
		534,047	471,206
Net assets		**4,585,213**	4,050,883
Capital and reserves			
Share capital		**137,748**	134,920
Reserves		**3,905,322**	3,377,511
Equity attributable to owners of the Company		**4,043,070**	3,512,431
Non-controlling interests		**542,143**	538,452
Total equity		**4,585,213**	4,050,883

NOTES TO THE 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 other services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Due to the adoption of "*IFRS 16-Lease*", the Group recognized lease liabilities and relevant right-of-use assets of RMB88.5 million on January 1, 2019. Other than that, the application of the amendments to IFRSs in the Year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair values at the end of each reporting period in accordance with the accounting policies in conformity with IFRSs.

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

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 control of burial plots is transferred to the customer, being when the right to use burial plots has passed.

Revenue from the provision of cemetery maintenance services is recognised during the period of service. 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 other services income are recognized when services are provided.

4. REVENUE

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

	2019	2018
	RMB'000	*RMB'000*
Burial Services	**1,551,394**	1,427,123
Funeral services	**256,928**	197,688
Other services	**53,216**	42,825
Inter-segments elimination	**(10,964)**	(16,337)
	1,850,574	1,651,299

Geographical information

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

	2019	2018
	RMB'000	*RMB'000*
Shanghai	**912,978**	862,165
Henan	**113,678**	98,171
Chongqing	**67,892**	70,404
Anhui	**179,046**	158,072
Shandong	**81,786**	69,116
Liaoning	**181,614**	175,037
Jiangxi	**80,789**	55,071
Fujian	**46,283**	37,735
Zhejiang	**30,476**	17,359
Jiangsu	**64,302**	52,944
Guangxi	**15,664**	11,755
Inner Mongolia	**18,191**	9,958
Guizhou	**15,407**	7,024
Hubei	**216**	—
	1,808,322	1,624,811

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
Staff costs, including Directors' remuneration:		
Salaries, wages, bonus and other benefits	**378,422**	347,977
Contributions to retirement benefits scheme	**25,964**	22,667
Share-based payments expenses	**11,739**	30,548
Total staff costs	**416,125**	401,192
Depreciation of property and equipment	**46,157**	41,526
Amortization of intangible assets	**7,324**	2,899
Amortization of prepaid lease payments	**—**	1,226
Amortization of cemetery assets	**48,120**	46,637
Amortization of right-of-use assets	**21,569**	—
Amortization of other long-term assets	**—**	442
Audit remuneration	**3,800**	3,800

6. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("PRC EIT")		
Current year	**227,326**	176,976
Over provision in prior years	**(4,669)**	(5,893)
Deferred tax	**(11,307)**	(11,943)
	211,350	159,140

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 certain subsidiaries, which are subject to a lower concessionary income tax rate of 15% effective until 2020 as they are located in specific provinces of Western China, and certain subsidiaries regarded as a small entity subject to lower income tax rate of 10% during the Year.

FSY Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% in 2017 and two-tiered profits tax rates regime, under which the first HK$2 million of profits will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%, is applicable to years of assessment beginning on or after April 1, 2018. 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:

	2019	2018
Earnings		
Earnings for the purposes of basic and diluted earnings per share *(RMB'000)*	**578,579**	488,364
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,235,451,641**	2,196,619,245
Effect of dilutive potential ordinary shares:		
Share options	**18,994,245**	36,936,773
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,254,445,886**	2,233,556,018

8. PROPERTY AND EQUIPMENT

	2019	2018
	RMB'000	*RMB'000*
Buildings	**314,531**	315,602
Leasehold improvements	**16,652**	18,219
Furniture, fixtures and equipment	**41,774**	47,889
Motor vehicles	**11,750**	15,117
Construction in progress	**164,365**	148,173
	549,072	545,000

9. GOODWILL

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

	2019	2018
	RMB'000	*RMB'000*
Haigang Fu Shou Yuan	**9,595**	9,595
Jinzhou Maoshan Anling	**3,738**	3,738
Henan Fu Shou Yuan	**14,769**	14,769
Chongqing Baitayuan	**47,458**	47,458
Meilin Century Cemetery	**18,899**	18,899
Guanlingshan Cultural Cemetery	**47,245**	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**	22,973
Luoyang Xianhe Cemetery	**23,451**	23,451
Temshine	**23,433**	23,433
Guangxi Huazuyuan Cemetery	**22,756**	22,756
Chaoyang Longshan Cemetery	**12,903**	12,903
Guizhou Tianyuanshan	**19,123**	19,123
Helinge'er Anyou Cemetery	**35,721**	35,721
Hubei Tianxian Cemetery	**13,560**	—
	441,581	428,021

10. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures include the contributions of RMB34.9 million to the funeral and cemetery buyout fund made by the Group as a limited partner, which accounted for 49.89% of the total proportion to the fund. As at December 31, 2019, there was no substantial external investment made in the fund.

11. CEMETERY ASSETS

	2019	2018
	RMB'000	*RMB'000*
Land costs	**1,016,107**	943,613
Landscape facilities	**200,026**	187,193
Development cost	**303,316**	285,043
	1,519,449	1,415,849

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.

12. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Burial Plots	**335,258**	308,525
Tombstone	**93,562**	91,550
Others	**52,239**	47,928
	481,059	448,003

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**56,480**	14,778
Other receivables comprise:		
Prepayments and rental deposits on properties	**1,511**	3,632
Staff advances	**3,091**	1,791
Entrusted loans *(note)*	**8,950**	11,950
Deposit for new projects	**5,539**	3,462
Prepayments to suppliers	**8,751**	2,196
Interest receivables	**10,344**	1,374
Others	**11,809**	12,321
	106,475	51,504

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

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**52,510**	10,207
More than one year but not exceeding two years	**668**	—
More than two years but not exceeding three years	**—**	4,571
Over three years	**3,302**	—
	56,480	14,778

In determining the recoverability of the trade receivables, the Group reassesses any change in the credit quality of the trade receivables 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.

14. BANK BALANCES AND CASH

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

	2019	2018
	RMB'000	*RMB'000*
Interest rate per annum		
— RMB	**0.30%–3.70%**	0.30%–4.35%
— HK$	**0.01%–3.50%**	0.01%–2.45%
— US$	**0.05%**	0.05%

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

	2019	2018
	RMB'000	*RMB'000*
HK$	**80,904**	74,500
US$	**34,511**	33,360
	115,415	107,860

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB'000	*RMB'000*
Unlisted cash management products	**417,580**	577,420
Equity investment	**38,110**	29,761
	455,690	607,181

During the Year, the Group entered into a number of contracts for cash management products as part of its cash management. The cash management products have been accounted for financial assets at FVTPL on initial recognition. In the opinion of the directors of the Company, the fair value of the cash management products as at December 31, 2019 is similar to their principal amounts.

Details of the cash management products as at December 31, 2019 are as follows:

Bank	Name of products	Currency	Amount *RMB'000*	Term/call date	Expected yield rate	Principal-guaranteed
Shanghai Pudong Development Bank	Tian Tian Li ("天添利") No.1 *(Note)*	RMB	50,000	Redeemable on call after 1 day on work day	3.00%	N
Shanghai Pudong Development Bank	Tian Tian Li Jin Qu ("天添利進取") No.1 *(Note)*	RMB	50,000	Redeemable on call after 1 day on work day	3.30%	N
Shanghai Pudong Development Bank	Zhou Zhou Xiang Ying Zeng Li ("周周享盈增利") No.1 *(Note)*	RMB	59,000	Redeemable on call after 7 days on work day	3.72%	N
Shanghai Pudong Development Bank	Li Duo Duo E Lu Fa ("利多多E路發") B *(Note)*	RMB	170,800	Redeemable on call after 14 days on work day	3.00%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan ("天添利普惠計劃") *(Note)*	RMB	16,700	Redeemable on call after 1 day on work day	3.29%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying ("天添利浦天同盈") No.1 *(Note)*	RMB	80	Redeemable on call after 1 day on work day	3.05%	N
China Merchants Bank	"Yun Tong Cai Fu • Wen De Li" 180-day Period ("蘊通財富•穩得利"180天周期型) *(Note)*	RMB	8,000	Fixed in 180 days	3.60%	N
China Merchants Bank	"Yun Tong Cai Fu • Sheng Xi 365" 180-day Period ("蘊通財富•生息365") *(Note)*	RMB	3,000	Redeemable on call on work day	1.55%	N
Industrial and Commercial Bank of China	Ru Yi Ren Sheng ("如意人生") I B *(Note)*	RMB	4,000	Redeemable on the 20th day of every month	3.35%	N
Bank of Shanghai	Yi Jing Ling ("易精靈") *(Note)*	RMB	50,000	Redeemable on call after 1 work days on work day	3.20%	N
Shanghai Pudong Development Bank	Cai Fu Ban Che (財富班車進取) No. 4 (Note)	RMB	6,000	Fixed in 180 days	4.00%	N

Note: Investment portfolio of the products includes government debt instruments, treasury notes, corporate bonds and etc.

In July 2018, the Group has made an equity investment in Changchun Huaxia Cemetery in the amount of RMB29,000,000, accounting for 10% of the total equity interests and this equity investment was measured at FVTPL. Changchun Huaxia Cemetery is an unlisted company providing burial services in Changchun City of Jilin Province. In the opinion of the Directors, the fair value was about RMB38.1 million as at December 31, 2019.

16. TIME DEPOSITS

	2019	2018
	RMB'000	*RMB'000*
RMB-denominated	**8,459**	48,298

As of December 31, 2019, the Group had fixed-term deposits in banks in the PRC with maturities for six months. These deposits carry fixed interest rates of 1.937% per annum (December 31, 2018: fixed interest rates from 1.920% to 1.937% per annum).

17. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**199,664**	165,393
Other payables comprise:		
Advances and deposits from customers	**12,535**	14,688
Payables for acquisition of property and equipment	**1,499**	604
Salary, welfare and bonus payables	**130,066**	139,541
Other accrued expenses	**53,912**	49,134
Consideration payables for acquisition of subsidiaries	**37,703**	39,578
Consideration payables for acquisition of non-controlling interests	**142,321**	—
Others	**20,606**	25,358
	598,306	434,296

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

	2019	2018
	RMB'000	*RMB'000*
0–90 days	**64,239**	62,467
91–180 days	**26,783**	17,485
181–365 days	**33,450**	15,139
Over 365 days	**75,192**	70,302
	199,664	165,393

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

18. BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Bank borrowings		
— Secured by the Group's equity interest in subsidiaries	**36,360**	43,860
— Unsecured	**—**	60,000
	36,360	103,860
The carrying amounts of the above borrowings are repayable:		
Within one year	**22,500**	75,000
More than one year but not exceeding two years	**13,860**	15,000
More than two years but not exceeding five years	**—**	13,860
	36,360	103,860

The bank borrowings carried interest at 4.998% per annum (December 31, 2018: 4.35% to 4.998%).

19. CONTRACT LIABILITIES

	2019	2018
	RMB'000	*RMB'000*
Cemetery maintenance services	**362,279**	326,496
Sales of pre-need contracts	**20,877**	10,747
	383,156	337,243

Cemetery maintenance services

The contract liabilities related to cemetery maintenance services represents the portion of 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 the Group's 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, represents the deferred income, which is recorded as the contract liabilities relating to cemetery maintenance services.

Sales of pre-need contracts

Sales of pre-need contracts is sales of funeral services based on a contract prior to death occurring. The payment is due when the pre-need contract is signed, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the funeral service is offered.

20. DEFERRED TAXATION

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

	2019	2018
	RMB'000	*RMB'000*
Time difference for certain accruals and liabilities	**35,438**	31,123
Unused tax losses	**16,953**	12,158
Fair value adjustment	**(91,834)**	(92,706)
	(39,443)	(49,425)

21. DIVIDENDS

During the Year, the Company has declared and paid the final dividend of HK3.72 cents per Share for 2018 and the interim dividend of HK$4.21 cents per Share for 2019, amounting to approximately RMB159.2 million in total.

On March 13, 2020, a final dividend for 2019 of HK4.21 cents per Share was declared by the Board, which is subject to the approval of shareholders at the forthcoming AGM.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement. The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2019. The auditor's report is unqualified and does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the 2019 annual results of the Group.

Year 2019 unfolded amid global turbulences featuring the China-US trade tug-of-war, geopolitical risks and tensions in major emerging economies, dragging down on the economic picture. In China, counter-cyclical policies secured economic metrics within an appropriate range, ending the year with GDP growth at 6.1%, in line with expectation as well as per capita GDP exceeding US$10,000 for the first time. While progressing steadily in an uptrend, the country still had to deal with the downsides from global slowdown especially in trade, weighed by the elevated unexpected risks.

Echoing the efforts nationwide against the coronavirus outbreak, the Group grappled with the difficulties to upgrade our services in a concerted and conscientious manner, leveraging internet to launch an array of online offerings catering to customer needs in this special situation. The Group also extended active presence in donations dedicated for the campaign, working together with all sectors of society in a bid to navigate through the adversities. Now, we believe that spring is around the corner.

The external uncertainties highlighted strong resilience and potential of Fu Shou Yuan. The Group's efforts in service upgrade and core operation expansion came off with sound business growth in 2019. During the Year, the Group recorded revenue of RMB1,850.6 million, representing an increase of 12.1% compared with 2018. Net profit was RMB735.3 million, representing an increase of 19.4% compared with 2018, of which profit and comprehensive income attributable to owners was RMB578.6 million, representing an increase of 18.5% compared with 2018. The Board proposes a final dividend of HK4.21 cents per Share for 2019 to the Shareholders. Together with the interim dividend of HK 4.21 cents per Share distributed during the Year, the total dividend for the full year of 2019 is HK8.42 cents per Share, which is in line with the Group's committed dividend policy to reward investors for their trust and support.

"Filial piety", a cornerstone to well-doing, has long been a traditional culture and virtue of China, which serves as the backbone for the death care service industry to subsist and develop in the PRC. Under the cultural legacy of "filial piety", we expect the increasing disposable income per capita, accelerating urbanization and aging population in China to boost the demand for death care service quality and customized solutions, implying vast opportunities for the country to comfortably grow into a globally leading death care service market where the Group is well established.

The Group has been spearheading the evolving death care service industry in China as an innovator since its establishment, with presence established across burial services, funeral services, equipment and supplies, pre-need services, landscape design, and life education. Currently, we have gained a foothold in more than 30 cities in 16 provinces, autonomous regions and municipalities, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia and Hubei. During the Year, the Group continued to enhance the national strategic layout, promoted the advanced concepts, improved the service of whole industrial chain as well as combined advanced concepts with traditional culture. Rooted in different regions and fields while facing the multi-dimensional and multi-level needs of society, we are committed to realize the visionary of a better life for the public.

During 2019, the Group continued its focus on core operations to upgrade its brand equity and appeal. Our operational improvements across business restructuring, products and services, sales channels and revenue contribution from regional markets, among others, led to our stronger presence in the industrial chain, faster strategic expansion and hence higher business scale and revenue contribution of funeral services. Landscape design for cemeteries and funeral facilities, an already independent segment, has functioned to synergize our business arms and sharpen the competitiveness. We continued to optimize our product mix, increasing the proportion of land-saving products and artistic cemeteries against traditional cemeteries, so as to improve land utilization and greenery. While stabilizing our growth in Shanghai, evidencing a better geographical mix. We made significant progress in growing the pre-need services segment, and the environmental-friendly cremation machines continued to support the green "Belt and Road" initiative. A novel ecosphere of "Death care services + Internet" is taking shape, thanks to our product innovations through the year.

For the burial services segment, we completed the acquisition of 80% equity interest in Tianxian Cemetery in Tianmen City, Hubei Province in January. In March, we entered into an agreement to acquire 95% equity interest in a cemetery in Lanzhou City, Gansu Province which is still currently under progress, enabling us to penetrate into this new market upon completion of the deal. At the end of December, we entered into an agreement to acquire the remaining 40% equity interest in Chongqing Baitayuan, making it a wholly-owned subsidiary of the Group. During the Year, we had a cemetery in Nanchang completed and started for operation, a cemetery project in Xuancheng largely completed and was put into operation in February 2020, a cemetery project in Qinzhou breaking the ground, and our plan materialized for the cemetery projects co-developed with local governments in Qihe County, Shandong Province and Ganzhou City, Jiangxi Province. For the funeral services segment, in December, we were granted the right to operate the Funeral Parlor of Shanting District of Zaozhuang City, Shandong Province for 30 years, a catalyst to significant synergy given its proximity to our established cemetery in the area. In 2019, we were also approved as a funeral service provider at two funeral parlors in Changfeng County, Anhui Province. Our funeral facilities in Dafeng City, Jiangsu Province were also put into operation, while the funeral facilities in Gaoyou, Jiangsu Province will be put into operation in the first half of 2020. To further synergize our design services with other business segments, we entered into an agreement to acquire the remaining 49% equity interest in Temshine, making it a wholly-owned subsidiary of the Group in March. During the Year, we won bids to provide paid management services for three public columbaria in Jiangbei District of Nanjing City and a public cemetery in Changqing District of Jinan City, with an aim to establish our presence in the capital city of Jiangsu Province and enhance our integrated service capability in Jinan market.

The Group stayed open to international dialogues and cooperation. In 2019, the Group attended the ICCFA Annual Convention for the 14th year in a row. Mr. Wang Jisheng, vice president of China Funeral Association, executive director and chief executive of the Group, participated in the 50th ICD meeting of International Federation of Thanatologists Associations* (第50屆國際殯葬協會ICD會議) held in the United Kingdom. A delegation from Masonwork of Japan also paid a visit to our Haigang Fu Shou Yuan. In April, we met the Shanghai delegation of the Hong Kong-based Cross Strait Fellowship* (香港兩岸智庫聯誼會). In May, the unveiling ceremony of "Brotherly Cemetery"* (友好公墓) between the Group and Springvale affiliated to the SMCT Group from Australia was held in Melbourne, opening a new chapter for regularly sharing insights and experience in culture, innovation, management and services to grow the industry hand in hand. In October, at the invitation of the US-based NFDA (National Funeral Directors Association), Mr. Wang Jisheng attended the Funeral Industry Information Forum of China, where Ms. Wang Qiong, assistant to the president of the Group, delivered a keynote speech to share the progress and trend of Chinese funeral industry with international guests. In the same month, the Group participated in the 32nd annual meeting and exposition of the Asian-Australian Cemetery and Cremation Association, in a hope to cement the ties between industry players in the two countries for them to learn from each other in an innovating and closer international community.

Taking an active part in public activities as a corporate citizen, the Group made continuous commitment to public welfare covering culture, education, poverty alleviation, charitable fundraising, hospice care and environment protection. These efforts were recognized, among other, by the "Sustainability Contributor Award of 2019" from the Social Responsibility Conference, the China Charity Award, the "Public Welfare Honor" from the Community Chest of Hong Kong, the Social Care Enterprise Charter, and the "Public Welfare Unit of the Year" on the China Charity Festival. During the Year, we introduced public welfare guarantee into our charity market, an unprecedented practice in Shanghai, to provide the needy groups such as orphans and widows, the destitute and the bereaved with an ultimate package including pre-need planning, palliative care and funeral services. In addition, we conveyed our care to the needy through a diversity of activities. In January, the Group organized an event themed "Passing on Warmth and Love", offering allowance and materials to the villagers in need in Qingpu District of Shanghai. In February, Changzhou Qifengshan Cemetery, a subsidiary of the Group, worked with the Civil Affairs Bureau of Zhonglou District of Changzhou City, Jiangsu Province to promote the public program of "FSY Rest-in-Peace Services", including four service categories namely living trust, palliative care, funeral ceremony and memorial services. Going forward, the Group will continue to take part in public activities in a drive to carry forward its core values of "Resonating with a fruitful life journey".

In January 2019, Guangxi Huazuyuan Investment Co., Ltd* (廣西華祖園投資有限公司) was awarded the honorary title of "Outstanding Death Care Organization of Guangxi in 2018". In February, Shanghai FSY Industry Development Co., Ltd.* (上海福壽園實業發展有限公司) was awarded the "2018 Special Contribution Award from Shanghai Services Federation". In March, Ms. Yi Hua, the Chief Brand Officer of the Group, was awarded the title of "2017–2018 Shanghai Woman Pacesetter" (2017–2018年度上海市三八紅旗手標兵) in recognition of extraordinary women who contributed to the construction of the "Four Brands" and "Five Centers". In April, Shanghai Fu Shou Yuan and Shanghai Nanyuan Industrial Development Co. Ltd.* (上海南院實業發展有限公司) both won the honorary title of "2017–2018 Enlightened Unit in Shanghai City" (2017–2018年度上海市文明單位). The deputy general manager of Haigang Fu Shou Yuan of the Group and the funeral director of Hefei Renben Funeral Arrangement Co., Ltd.* (合肥人本禮儀公司) were awarded the National Labor Medal in Shanghai City and Anhui Province, respectively. In July, the Group won the "2019 Corporate Social Responsibility Model Award" (2019企業社會責任典範獎) at the 8th China Finance Summit. In September, Mr. Wang Jisheng, a National Model Worker, vice president of China Funeral Association and chief executive of the Group, was laurelled with a commemorative medal for celebrating the 70th anniversary of the People's Republic of China. In November, the Group represented China's death care service industry for the first time in the 2019 Second Social Responsibility Conference, and was awarded the "Sustainability Contributor Award of 2019" through media and committee review in recognition of its strong brand image, public contribution and social evaluation. In December, the Group was named the "Excellent Member (Unit) of 2019" at the 8th general meeting and board meeting of the 8th session of Shanghai Public Relations Association.

Adhering to the mission of "making people pass away respectfully with relief and dignity", we strive to fulfil people's full expectation towards a fruitful life, to which premium death care services offering the best to the departed should be a component. Looking forward, the Group will commit more resources to livelihood, cultural heritage and ecological progress to spearhead the industry transformation. As a corporate citizen committed to giving back to the community, we will continue to uphold the principle of "human oriented and culture rooted" with an aim to achieve harmonious coexistence between people and the environment. We will devote unremitting efforts in serving the public for a better tomorrow and positioning ourselves to deliver better returns to our shareholders.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The increasing disposable income per capita in the PRC, vigorous promotion by the government on Chinese traditional culture and virtue, accelerating pace of urbanization, aging population, and pursuit of humane death care services by the general public have been generating huge demand on death care services in recent years. Such increase in demand call for increases in not only the quantity but also the quality and variety of the death care services. All these drivers have enhanced the death care service industry in the PRC to become one of the industries with steady growth rate, and its future growth will accelerate. Although economic growth of the PRC has slowed down in recent years, the death care service industry is relatively less affected by economic cyclical fluctuations.

On September 7, 2018, the Chinese Ministry of Civil Affairs issued the Regulations on Funeral Management (Revised Draft for Inviting Opinions) (《殯葬管理條例 (修訂草案徵求意見稿) 》), which aims to shore up the oversight of the PRC death care service industry, drive its transformation, regulate its practices, satisfy public demand for death care services, and protect the dignity of the deceased and the interest of the general public. The Group expects there will be a higher entry barrier for both new and existing participants in the death care service industry. As a distinguished death care service provider and a leader of the industry in China, and consistent with the high standards of compliance that our operations have been meeting with, the Group believes that rectification and regulation will create a better environment with fair competition and adequate room for sustainable development. We will continue our efforts in directing the development of the industry and better serve the general public through our services that meet both the spiritual and cultural requirements. The management of the Group believes that the bill will help rectify the irregularities in the industry and promote the development of the industry towards institutionalization, marketization and standardization, and eventually promote the long term development of the PRC death care service industry.

During the Year, aiming at the social concerns of the death care services, government continued to guide the death care service industry to deepen the reform, to encourage innovation, to enhance institutional system, and to push forward the modernization procedure of the management system and governance capability. In April 2019, at the 14th national civil affairs meetings, it was clarified that the reform of death care service industry shall focus on social demands and concerns, system construction, and persistent innovations, to ensure sound development of the industry. In October, the Fourth Plenary Session of the 19th Central Committee of the Communist Party of China once again directed the industry to improve the management system and governance capability so as to achieve the goal of "making people pass away respectfully with relief and dignity". In December, the Ministry of Civil Affairs issued 14 standards for the industry, including but not limited to the "Guidelines for the security management of funeral service facilities", "Technical specifications for the transportation of remains", "General technical requirements for body freezers", and "Technical specifications for the treatment of victims died in accidents", which have further standardized the service standards of the death care service market.

Meanwhile, we notice that encouraging capitals from the community, building cemeteries and funeral facilities to increase the provision of death care services have become important measures in the transformation of the death care segment, which will bring about more opportunities for us to provide death care services across the country.

In accordance with the requirements of the Ministry of Civil Affairs to advance the "Internet + Death Care Services", the informatization construction was accelerated during the Year. The Group also vigorously promoted the construction of informatization and launched a new integrated "Death Care Services+ Internet" online system namely "Fu Shou Cloud", internally realizing the synergy of all levels and units inside the Group and externally establishing the on-line/off-line connection between server side and client side.

Regarding the education sector, in October 2019, the Ministry of Education of the PRC for the first time included the subject of "Burial Service and Cemetery Management" in the catalogue of "General College and Higher Vocational Education Specialties", which will further realize the delicacy and diversified cultivation of funeral talents. The Group will also continue to build management-oriented and service-oriented talent echelon for supporting the future long-term sustainable and sound development.

In addition, we believe the increasingly stringent environmental protection requirements from the PRC government is providing a good opportunity for the Group, to promote its environmental-friendly cremation machines.

BUSINESS COMMENTARY

During the Year, the Group, as always, continued to consolidate and explore our brand value, put efforts in enhancing the landscaping and cultural setting of existing cemeteries, improve service quality, and offer 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.

During the Year, the Group has continued to proactively adjust its business portfolio, product and service mix, sales channels, and regional revenue contribution, and has achieved continuous progress. Through such adjustments, we further optimized our strategic layout for the industry chain and strategically expanded our funeral services business. As a result, the size of our funeral services business and the proportion of our income have been increased. Our landscape design ability for burial and funeral facilities has formed independent business segments, improving the synergy between segments and strengthened our all-round competitiveness. Striving to transform cemeteries into urban cultural parks, we continued to optimize our product structure, increasing the proportion of land-saving products and artistic cemeteries while lowering traditional cemeteries so as to improve the effectiveness of land utilization. We also continued to strengthen our sales team and self-operating channels, optimized sales channels and improved our customers' consuming experience. While achieving a steady growth in Shanghai, we also proactively increased our business growth rate in regions outside Shanghai, where revenue contribution, for the first time, exceeded 50% of the Group's revenue for the Year, thereby optimizing the regional structure of the Group's business. These adjustments helped expand our business scale while focusing on the efficiency, effects and effectiveness of each unit of our business, which contributed to the continuous enhancement of our financial structure and a further increase in profitability, supporting the Group's sustainable development and improving our core competitiveness.

During the Year, the Group's products and services have always maintained industry leadership benefiting from our consistent services innovation and strengthened application of new products, technologies, and techniques. Design is an important aspect of the Group, with the assimilation of cultural elements into our designs, we injected vitality and creativity into the traditional death care services, thereby developing our burial and funeral facilities into embellishers of environment, cultivators of culture, and collaborators of ecology. The Group also proactively enhance the informatization system to serve both client and internal operation. Our "Fu Shou Cloud" system in regard to online office and online classrooms have been fully implemented. Online tomb-sweeping, online live-streaming, online mall, online obituary and online album have been facilitated. In the foreseeable future, we will bring about the artificial intelligence, virtual reality, face recognition, Internet of Things, 5G and other technologies to innovate the services as memory preservation, anthropomorphic speech, AI, VR tomb-sweeping to expand the physical existence space and time length.

During the Year, the Group continued to expand its business presence. With regard to the burial segment, in January 2019, we completed the acquisition of 80% equity interests in Hubei Tianxian Cemetery in Tianmen, Hubei Province, upon which our business was extended to Hubei Province for the first time. In March 2019, we entered into a contract to acquire 95% equity interest of a cemetery located in Lanzhou, Gansu Province which is still currently under progress. Upon the completion of such acquisition, our business will be expanded to Gansu Province for the first time. In October 2019, we entered into a contract to acquire a cemetery project under construction in Linquan County, Anhui Province, so as to create synergy with our funeral parlor project under construction there. As of now, the effective conditions of the agreement have yet to be fulfilled. At the end of December 2019, we entered into a contract to acquire the remaining 40% equity interest of Chongqing Baitayuan, which became a wholly-owned subsidiary of the Group. During the Year, our cemetery project in Nanchang was completed and put into operation; the construction of our cemetery project in Xuancheng, which was put into operation in February 2020. Such project is adjacent to our local funeral parlor project, with the collaboration between the two, an integrated funeral service will be provided to our customers. During the Year, we commenced the construction of our cemetery project in Qinzhou, which is planned to be put into operation in the first half of 2020; the cemetery projects in Qihe County, Shandong province and Ganzhou city, Jiangxi Province, which are joint developments with the local governments, were also launched. As of December 31, 2019, we have 24 cemeteries in operation (including 2 managed cemeteries), and 4 cemeteries under preparation or construction. With regard to the funeral services segment, in 2019, we secured various new facilities or operating rights for facilities. In September 2019, a Henan subsidiary of the Group and a local partner jointly secured a contract to operate a funeral service facility in Zhengzhou, which kick-started our funeral management business in that City, as well as attracted customers to our cemetery projects there and comprehensively improved the services provided by such projects. In December 2019, we secured a 30-year operating right for the funeral parlor in Shanting District, Zaozhuang City, Shandong Province. The funeral parlor is adjacent to our cemetery in the area and is expected to create significant synergies. During the Year, we were also granted to provide funeral services in two funeral parlor in Changfeng County, Anhui Province; our funeral facilities in Dafeng City, Jiangsu Province were also put into operation, while the funeral facilities in Gaoyou, Jiangsu Province will be put into operation in the first half of 2020. As of December 31, 2019, we had 26 funeral facilities in operation and 2 funeral parlors under construction. In order to capitalize on the synergies between the design segment and other business segments, we signed a contract in March 2019 to acquire the remaining 49% equity interests in Temshine, which enables it to become our wholly-owned subsidiary. During the Year, we won bids to provide paid management services for 3 public columbaria in Jiang Bei District of Nanjing City and 1 public cemetery in Chang Qing District of Jinan City, with an aim to establish our presence in the capital city of Jiangsu Province and enhance our integrated service capability in Jinan market. Currently, we have established footprint in over 30 cities spanning over 16 provinces, autonomies and municipalities, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia and Hubei. The expanding business presence has provided strong support for the Group's performance growth. Business units which were put into operation or included in the Group after the listing contributed RMB489.5 million to the revenue for the Year, representing a rising percentage 26.4% of the total revenue as compared to that of Last Year (Last Year: 23.2%). At the same time, renovation and upgrade works of newly acquired or escrowed burial and funeral facilities were accelerated, which further demonstrated synergy effects.

During the Year, the Group continued to promote the pre-need contracts as its important strategic pivots. Pre-need services were able to secure customers in advance and to bring about a stable source of customers to funeral and burial segments. It is proven that under the backdrop of aging population with fewer children, pre-need services are attracting more customers who would like to arrange their funeral matters in advance by themselves, and are being recognized, supported and increasingly sought after by government of various level and elderly service centres. In 2019, the pre-need contract won 34 batches of collective procurement by government institutions at all levels as well as social organizations. Such service has already been integrated into the supply of livelihood services for grassroots. We will actively explore more social value and business value of pre-need services. From sales channel aspect, we also worked with endowment and insurance institutions and designed a set of promotion routine and dialogue context which are practical for communicating with customers about pre-need services under non-funeral scenes. As of December 31, 2019, the Group has been offering pre-need contracts for funeral services in 18 cities of 10 provincial regions. We signed a total of 4,873 contracts during the Year, representing an increase of 96.1% as compared to Last Year (Last Year: 2,485 contracts), with contract amount of approximately RMB18 million.

During the Year, we continued to enhance the installation and sales of environmental-friendly cremation machines. As of December 31, 2019, we have, in aggregate, installed 44 sets (internally: 21 sets; externally: 23 sets). The cremation machines installed and in operation were all operating smoothly with exhaust gases complying with environmental standards. Currently, the cremation machines contracted but not yet delivered amount to 9 sets. In 2020, the Group will deepen our presence in key target markets by increasing investment in the sales and system optimization of cremation machines, so as to consistently refine our products and promote market competitiveness. We expect that the cremation machine business will bring about considerable contribution to the Group's revenue in the foreseeable future.

Employees are our most valuable resource. After years of development, the Group established an internal professional team with clear segmentation, along with that realized a healthy structure and benign development mechanism for our talents. An external talent map was also developed to ensure consistent enlistments of external elites. Adhering to Fu Shou Yua's business philosophy, our employees endeavor to cultivate their personal abilities and expand their international visions, striving to provide the best quality products and services to our customers. The Group attaches great importance to the development of our talents, we encourage "Innovation" and "Craftsmanship", emphasizing employee inspiration by implementing an internally fair and externally competitive salary system, as well as establishing a unified three-tier management framework and a hierarchical evaluation system. The Group arranges routine external studies and expeditions for our talents, which introduce and explain international advanced funeral and burial concepts to them, as well as allowing them to put such concepts into practices. The "Fu Shou Yuan Life Service College "continues to train and reserve talents for the Group's development in various segments.

During the Year, we have enhanced team building, improved operation structure and strengthened system construction. We continued to intensify comprehensive budget management and internal control to increase respective input-output ratios, and we continued to promote standardized procedures and operational information construction for enhancement of lean operations ability. We also integrated operations and enhanced our ability to support the expansion of the Group, which has increased its operating efficiency and reduced its cost in operations. Our self-developed cemetery business system has covered every cemetery in the Group, and the funeral business system has also covered nearly all funeral facilities of the Group. Combining the marketing system of big data will enable us to go beyond the traditional operating mode. We plan to create new corporate competitiveness and consolidate our leading position in the industry by utilizing powerful online data access and management capacity as well as offline service operating capacity and its geographical influence.

The Group will uphold our "people-oriented and culture-rooted" philosophy, providing livelihood services, responding to the calling of family empathy, inheriting outstanding traditional culture, leading life education, keeping the memory of cities, and bearing social responsibilities. The Group has been consistently investing in charitable undertakings, we have, for more than 20 years, offered public welfare pre-need contracts to low-income groups as an assistance to the government, provided free burial services to widowed elders, established monument for organ donors, established scholarships in funeral vocational schools, provided financial aid to organizations for cancer rehabilitation patients, held life education activities for the public, established museum to promote outstanding traditional culture, and supported various patriotic education activities. Our investment in charity was strengthened in 2019 after the establishment of "Shanghai Fu Shou Yuan Public Welfare Development Foundation" (福壽園公益發展基金會). The Group's charitable endeavors were well received by all sectors of society, in 2019, we were successively awarded by "Charitable Shanghai — Top Ten Enterprise Partners In Charity" (公益之申•十佳公益夥伴企業), "Contribution to Sustainable Development Award" (可持續發展貢獻獎), and "China Charity Festival —Charity Promotion Award" (中國公益節公益推動力大獎), thus achieving significant breakthrough in our brand reputation. Since the outbreak of the new coronavirus pneumonia epidemic, the Group has carried out a number of charitable activities, including financial and material aids, in different regions, among which we procured special funeral and anti-epidemic materials from abroad to support funeral industry in Wuhan.

In view of the above, despite a slowdown in economic growth of the PRC, we managed to achieve a satisfactory growth during the Year. The total revenue of the Group amounted to RMB1,850.6 million, representing an increase of 12.1% as compared to that of Last Year. Profit and comprehensive income attributable to the owners of the Company amounted to an aggregate of RMB578.6 million, increased by 18.5% when compared to that of Last Year.

REVENUE

During the Year, our revenue increased by RMB199.3 million or 12.1% to RMB1,850.6 million from RMB1,651.3 million of Last Year. We derive our revenue primarily from three business segments: burial services, funeral services and other services. The following table sets forth our revenue by segment for the Year:

	2019		2018	
	Revenue *(RMB'000)*	*%*	Revenue *(RMB'000)*	*%*
Burial services	**1,551,394**	**83.8%**	1,427,123	86.4%
Funeral services	**256,928**	**13.9%**	197,688	12.0%
Other services	**53,216**	**2.9%**	42,825	2.6%
Inter-segment elimination	**(10,964)**	**(0.6%)**	(16,337)	(1.0%)
Total	**1,850,574**	**100.0%**	1,651,299	100.0%

Burial Services

The following table sets forth the breakdown of our revenue from burial services, including revenue from the sale of burial plots services and other burial services, for the Year:

	2019		2018	
	No. of burial plots	**Revenue** *(RMB'000)*	No. of burial plots	Revenue *(RMB'000)*
Sale of burial plot services				
Ordinary business plots	**13,539**	**1,388,438**	12,509	1,282,247
Public welfare plots and tomb relocation	**7,146**	**31,421**	8,403	27,208
	20,685	**1,419,859**	20,912	1,309,455
Other burial services		**131,535**		117,668
Total revenue from burial services	**20,685**	**1,551,394**	20,912	1,427,123

During the Year, revenue from sale of burial plots services for ordinary business purpose increased by RMB106.2 million or 8.3% as compared to Last Year, in which sales volume increased by 1,030 or 8.2%, while ASP remained stable. The following table sets forth the breakdown of revenue of sale from burial plots services for ordinary business purpose from our new (i.e. those related to acquisitions/new construction) and comparable cemeteries during the Year:

	2019		2018	
	No. of burial plots	**Revenue** ***(RMB'000)***	No. of burial plots	Revenue *(RMB'000)*
Sale of burial plots services for ordinary business purpose, from:				
Comparable cemeteries*	**12,423**	**1,356,118**	11,965	1,266,028
Cemeteries related to acquisitions/new construction	**1,116**	**32,320**	544	16,219
Total revenue from sale of burial plots services for ordinary business purpose	**13,539**	**1,388,438**	12,509	1,282,247

* Comparable cemeteries refer to those cemeteries owned by the Group and were in operation for the entire period from January 1, 2018 to December 31, 2019.

During the Year, revenue from ordinary business burial plots of comparable cemeteries increased by RMB90.1 million, or 7.1%, as compared to that of Last Year, in which sales volume increased by 458 or 3.8%, while ASP increased by 3.2%, mainly due to the fact that we kept on improving our old cemeteries (i.e. comparable cemeteries) to further increase our presence in local market. Through enriching service mix and optimizing its cultural content, and further enhancing our service value, various structural adjustments have started to bear fruit.

During the Year, revenue from burial plots sold for ordinary business purpose in the new cemeteries amounted to RMB32.3 million, while the ASP was lower than that of comparable cemeteries, as these new cemeteries need time to improve their landscape, enhance the services, strengthen their team and upgrade the operation gradually, in order to provide high quality services to their customers and to increase the return of the Group. We formulated a systematic operation improvement plan for these new projects to ensure the achievement of the above goals. Leveraging on our advanced philosophy, extensive management experience in death care business and a strong team of professionals, those new cemeteries are expected to achieve profitable growth in the future.

Funeral Services

The following table sets forth the breakdown of revenue from our new (i.e. those related to acquisitions/new construction) and old (i.e. comparable facilities) funeral facilities during the Year:

	2019		2018	
	No. of customers	**Revenue** ***(RMB'000)***	No. of customers	Revenue *(RMB'000)*
Funeral services, from:				
Comparable facilities*	**28,771**	**207,850**	26,903	177,137
Facilities related to new acquisitions or new construction	**12,987**	**49,078**	9,588	20,551
Total revenue from funeral services	**41,758**	**256,928**	36,491	197,688

* Comparable facilities refer to those funeral facilities owned by the Group and were in operation for the entire period from January 1, 2018 to December 31, 2019.

During the Year, our revenue from funeral services increased by RMB59.2 million or 30.0%. The proportion of revenue from funeral services to the total revenue increased to 13.9% from 12.0% of Last Year. Such increase was mainly due to an increase in revenue from the comparable funeral facilities and the contribution of our new funeral facilities starting from 2018 and during the Year. During the Year, revenue from funeral services provided by comparable funeral facilities increased by 17.3% from Last Year. Both the ASP and service volume increased as compared to Last Year. The ASP of these new funeral facilities was lower than that of the comparable funeral facilities, as most of these newly operated funeral facilities only offered basic services to their customers before our operation. These funeral facilities will provide high quality services to customers through introduction of new management and a variety of humanized funeral services after our operation. With the increased service items, improved service quality, and commencement of marketing activities, the Group's revenue from funeral services has much room to grow.

Geographic Information

Our cemeteries and funeral facilities under operation are strategically located in major cities across 14 provinces, municipalities and autonomous regions in the PRC. The following table sets forth a breakdown of our revenue from burial services and funeral services by region during the Year:

	2019		2018	
	Revenue ***(RMB'000)***	*%*	Revenue *(RMB'000)*	*%*
Shanghai	**912,978**	**50.5%**	862,165	53.1%
Henan	**113,678**	**6.3%**	98,171	6.0%
Chongqing	**67,892**	**3.7%**	70,404	4.3%
Anhui	**179,046**	**9.9%**	158,072	9.7%
Shandong	**81,786**	**4.5%**	69,116	4.3%
Liaoning	**181,614**	**10.0%**	175,037	10.8%
Jiangxi	**80,789**	**4.5%**	55,071	3.4%
Fujian	**46,283**	**2.6%**	37,735	2.3%
Zhejiang	**30,476**	**1.7%**	17,359	1.1%
Jiangsu	**64,302**	**3.6%**	52,944	3.3%
Guangxi	**15,664**	**0.9%**	11,755	0.7%
Inner Mongolia	**18,191**	**1.0%**	9,958	0.6%
Guizhou	**15,407**	**0.8%**	7,024	0.4%
Hubei	**216**	**0.0%**	—	—
Total	**1,808,322**	**100.0%**	1,624,811	100.0%

During the Year, revenue in all regions (except for Chongqing) increased, mainly because of the revenue contributions from newly acquired or operated cemeteries and funeral facilities, as well as the growth in revenue from existing funeral facilities and cemeteries. With the optimization of management structure and marketing mode, the revenue of Chongqing will increase gradually. As revenue in other regions increased rapidly, the Group's growth further reduced its reliance on Shanghai region, with its operation becoming more diversified.

Other Services

Revenue from other services for the Year mainly represented the revenue of RMB38.2 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, and revenue from the sale of cremation machines of RMB15.0 million

OPERATING EXPENDITURE

The Group's operating expenditure, which accounted for 53.0% of our total revenue for the Year (Last Year: 56.2%), increased by RMB52.8 million or 5.7%. The increase in operating expenditure is mainly attributable to an increase in operating expenses of RMB55.0 million arising from newly acquired and operated cemeteries and funeral facilities during the Year. Despite an increase in revenue from other comparable facilities, there was a decrease in operating expenses of RMB2.2 million or 0.2% due to adjustments to business structure, more refined management and effective cost control.

The Group's staff costs include staff salaries, bonuses, benefits and amortization of share option cost. During the Year, the staff costs increased by RMB14.9 million or 3.7%. The increase was mainly due to an increase in the number of employees as a result of the expansion of the Group's business footprint and enhanced effort in developing our direct sales team as well as the increase in incentives for our direct sales team. It was partially offset by a decrease in the amortization of the cost of certain share options upon expiry of vesting periods for such options.

The construction cost represents our expenditures in building burial plot products (excluding stone materials). During the Year, the product construction cost increased by RMB2.8 million or 3.9%, mainly due to the fact that we have expanded operations and have been offering more beautiful environment, higher service quality, more timely and diversified choices to our customers. However, such increase in cost was not significant due to our stringent control on projects.

Consumed materials and goods represent materials and goods consumed when we provide burial, funeral and other services. They also include the materials and goods consumed when we build burial plots and cremation machines. During the Year, the consumed materials and goods increased by approximately RMB24.4 million or 20.8%, which is mainly due to the business growth during the Year.

Outsourced service cost mainly represents the cost incurred when part of the daily maintenance and basic service are provided by external suppliers. During the Year, outsourced service cost was generally in line with the previous year, mainly benefiting from our strict expenditure control.

Marketing and sales channel costs mainly include advertising costs, marketing costs, and sales commission. During the Year, the marketing and sales channel costs decreased by RMB5.2 million or 11.9%. Such decrease was mainly attributable to the optimization of our sales channel in certain regions, enhancement of our direct sales team to ensure the systematicness and high quality of our services, and commission policy adjustment to gradually reduce the reliance on external sales agents.

During the Year, depreciation and amortization increased by RMB30.4 million or 32.8%, which is mainly due to the commencement of operation of certain new cemeteries and funeral facilities starting from Last Year and amortisation of right-of-use assets recognised pursuant to new leasing standards.

Other general operating expenditures remained stable compared to Last Year. Despite the expanded scale of operations and operation of new burial and funeral facilities, effective cost control has resulted in insignificant increase in general operating expenditures.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Year increased by RMB146.4 million or 20.3% compared to Last Year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Year:

	2019		2018	
	Operating Profit ***(RMB'000)***	**Operating Profit Margin**	Operating Profit *(RMB'000)*	Operating Profit Margin
Burial services	**843,543**	**54.4%**	712,773	49.9%
Funeral services	**26,241**	**10.2%**	19,858	10.0%
Other services	**1,794**	**3.4%**	(9,098)	(21.2%)
Inter-segment elimination	**(2,237)**	**20.4%**	(639)	3.9%
Total	**869,341**	**47.0%**	722,894	43.8%

During the Year, the operating profit margin of burial services increased to 54.4% from 49.9% for Last Year mainly because of higher revenue from burial services and effective cost control.

The new funeral facilities contributed to approximately 48.2% of the revenue growth of funeral services during the Year. These new facilities provide both basic funeral services and value-added funeral services. As most of these new funeral facilities are still in their initial stage of development, it takes time for them to steadily enhance their services and for their customers to know and then purchase their value-added services. Therefore, the profit margin of such new facilities was relatively low. Although the operating profit margin of funeral increased due to the improved ASP of comparable burial and funeral facilities and efficient cost control, the overall operating profit margin of funeral service slightly increased to 10.2% from 10.0% for Last Year. We expect that these new funeral facilities will increase their ASP, service volume and profitability in future.

During the Year, other services segment recorded an operating profit of RMB1.8 million, which was mainly due to satisfactory results delivered by the subsidiary offering professional design during the Year, but the current cremator business is still in the trial sales stage, resulting in low profit distribution generally. We are optimistic about the future of the business on our environmental-friendly cremation machines under the backdrop of tightening the rules and regulations on environmental protection by the government. At the same time, we will increase investments in the construction of sale teams and tools for cremation machines in 2020, so as to achieve a substantial breakthrough in its sales.

FINANCE COSTS

Finance costs for the Year consisted of interest expenses of RMB4.8 million on bank loans (Last Year: RMB5.0 million), interest expenses of RMB3.0 million (Last Year: RMB3.1 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities calculated based on lease standards of RMB3.2 million (Last Year: nil).

Interest expenses on loans from non-controlling shareholders represent the interest expenses of loans borrowed by certain non wholly-owned subsidiaries from their non-controlling shareholders. These subsidiaries were jointly invested by the Group and those non-controlling shareholders. Our Group and such non-controlling shareholders jointly provided funding to these subsidiaries for their land acquisition and cemetery development via shareholders' loan based on the respective shareholding percentages in addition to the registered capital. The interests are charged based on the market rates.

OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses for the Year mainly include interest income, government grants received, exchange gains and losses, changes in the value of financial assets at fair value, donations and etc. Interest income for the Year was RMB52.6 million, increased by RMB5.1 million compared to that of Last Year. Although the rate of return on funds in the RMB market has declined, interest income has increased due to our further strengthening of fund management. Government subsidy for the Year was RMB19.6 million, increased by RMB5.5 million as compared to Last Year. In addition, the assessed value of our investment in Changchun Huaxia Cemetery increased by RMB8.3 million for the Year.

INCOME TAX EXPENSE

Under the EIT Law and its Implementation Regulations, our PRC subsidiaries have been subject to the tax rate of 25% since January 1, 2008. Our effective corporate income tax rate for the Year was 22.3% (Last Year: 20.5%). The difference between the standard tax rate of 25% and the effective tax rate of 22.3% for the Year can be attributable to the following factors: (i) certain subsidiaries in western regions of China are subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions; (ii) certain subsidiaries are recognized as micro and small enterprises and are subject to a lower income tax rate of 10% according to relevant tax reduction policies; (iii) our interest income earned from bank deposits placed in Hong Kong is free from any income tax according to relevant Hong Kong tax rules; (iv) the share options granted by the Group to some employees of subsidiaries in mainland China can form a base for claiming tax deduction in respect of the EIT of those subsidiaries; and (v) the Group reverses certain prior year tax provisions when tax uncertainties on such provisions have been resolved during the Year.

During the Year, income tax expenses were RMB211.4 million, an increase of RMB52.2 million or 32.8% compared to Last Year, mainly as a result of the increase in profit before tax due to growth of business and the significant decrease in gains upon exercise of share options by employees resulting in decrease of relevant tax exemption during the Year.

PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

As mentioned above, our profit and total comprehensive income attributable to owners of the Company for the Year amounted to RMB578.6 million, increased by RMB90.2 million, or 18.5% compared to Last Year. This increase was primarily due to: (i) the overall growth of our revenue by 12.1%; and (ii) the steady increase in the operating profits resulting from continuous value improvement and effective cost control, which was partly offset by the increase in income tax expenses.

CASH FLOW

The following table sets forth a summary of our consolidated statement of cash flows for the Year:

	2019	2018
	(RMB'000)	*(RMB'000)*
Net cash generated from (used in)		
— operating activities	**791,820***	769,316*
— investing activities	**(97,104)***	(1,120,260)*
— financing activities	**(181,225)**	(92,397)
Total	**513,491**	(443,341)

* A classification made by the management does not comply with International Financial Reporting Standards, however the management considers that this classification can reflect better the nature of the Group's business and can make the information disclosed more comparable. The net cash generated from operating activities disclosed in the audited financial statements amounted to RMB707.1 million (Last Year: RMB670.5 million) and the net cash used in investing activities as disclosed in the audited financial statements amounted to RMB12.4 million (Last Year: RMB1,021.5 million). During the Year, an amount of RMB84.7 million (Last Year: RMB98.8 million) related to the payment for cemetery land acquisition was here classified under the cash used in investing activities, instead of cash used in operating activities.

We generated our cash from operating activities primarily from proceeds of our death care service businesses. Our cash used in operating activities is primarily for the development and construction of burial plots, and other operating expenditures. Our net cash generated from operating activities amounted to RMB791.8 million for the Year, representing an increase of RMB22.5 million or 2.9% as compared to Last Year, maintaining our competitiveness as always in generating cash from our operating activities.

During the Year, the net cash used in investing activities amounted to RMB97.1million. It was primarily due to: (i) payment of RMB175.2 million to acquire subsidiaries, operation rights of cemetery and funeral home and other investments; (ii) payment of RMB84.9 million to acquire land use rights, including a piece of land for cemetery development purpose located in Nanchang City of Jiangxi Province, a piece of land for cemetery development purpose and another piece of land for funeral parlor construction purpose located in Xuancheng City of Anhui Province, a piece of land for cemetery development purpose located in Qinzhou City of Guangxi Autonomous Region, and a piece of land for cemetery development purpose located in Qihe County of Shandong Province; and (iii) payment for building new burial and funeral facilities in Bishan District of Chongqing Municipality, Hohhot City of Inner Mongolia, Xuancheng City of Anhui Province, Zheng'an County, Zunyi City of Guizhou Province, Tianmen City of Hubei Province, Nanchang City and Yanshan County of Shangrao City in Jiangxi Province and Yancheng City and Gaoyou City in Jiangsu Province, capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities, and construction expenditure of the operating system in total of RMB91.4 million, which were partly offset by the followings: (i) net redemption of time deposits and other financial assets of RMB199.7 million; and (ii) interests and gains from unlisted cash management products received of RMB49.6 million.

Our net cash used in financing activities amounted to RMB181.2 million for the Year. It was primarily due to: (i) final dividends for 2018 and interim dividends for 2019 paid to shareholders of the Company of RMB159.2 million in aggregate; (ii) dividends paid by subsidiaries to their non-controlling shareholders of RMB114.8million; (iii) interest payment of RMB10.9 million for our borrowings; (iv) repayment of loans to non-controlling shareholders of RMB15.0 million and a net reduction in bank loans of RMB67.5 million; (v) payment of RMB3.1 million for acquisition of equity from non-controlling shareholders of some non-wholly owned subsidiaries; and (vi) settlement of payment for lease liability of RMB16.5 million. These cash outflows were partially offset by: (i) the proceeds of RMB179.5 million received upon exercise of share options by our employees; and (ii) the capital and loan contribution of RMB26.7 million in aggregate from the non-controlling shareholders of certain of our non wholly-owned subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2019, we had bank balances and cash of RMB2,007.1 million (December 31, 2018: RMB1,493.7 million), time deposits of RMB8.5 million (December 31, 2018: RMB48.3 million) and financial assets of RMB417.6 million (December 31, 2018: RMB577.4 million). Such financial assets represent cash management products with relatively lower risk ratings, which are repayable on demand and have maturity dates shorter than six months, or are repayable upon notice of withdrawn by the Company at its discretion. Such assets are highly dispersed and are managed by certain state-owned banks, with expected annualized return rates ranging from 1.55% to 4.00%. To support our expansion strategy, we hold a relatively high level of cash. In order to moderately increase capital returns, under the premise of ensuring safety and liquidity, we have allocated a part of treasury fund to short-term cash management products. Such products are issued and managed by state-owned banks and have clearly-specified expected return rates, maturity dates or are immediately redeemable. Even though the principals and return rates of such products are not guaranteed by the issuing banks and are determined with reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, their principals and return rates are secured in substance considering the features and historical performance of such products and present situation of banking system in the PRC. We internally regard our treasury fund put in such cash management products as part of our cash balance, however, from the accounting point of view, they are classified as the financial assets at fair value through profit or loss. In the foreseeable future, we expect to fund our capital expenditure, working capital and other capital requirements from the cash generated from our operations, bank borrowings, and other financing channels. Considering our low gearing ratio, we prefer to adopt the debt financing if any financing requirements arise in the future. The Board confirmed that the transactions in financial assets for the Year, on a standalone basis and aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

We had outstanding bank borrowings of RMB36.4 million as at December 31, 2019. Of this outstanding balance, RMB22.5 million is repayable within one year, and RMB13.9 million is repayable within two years. These borrowings were dominated in RMB and were subject to floating interest rates per annum. The interest rate used on December 31, 2019 is 4.998%. As at December 31, 2019, three non wholly-owned subsidiaries of the Group had a loan of RMB50.0 million due to its non-controlling shareholder, among which, one had a loan of RMB17.0 million. The interest rate of the loan was 6.09% per annum without a specific repayment schedule. One subsidiary had a loan of RMB27.0 million due to its non-controlling shareholder. Such loan is repayable within one year with interest rate at 4.35% per annum; another subsidiary had a loan of RMB6.0 million with interest rate at 6.0% per annum, which is repayable within two years.

In addition, we had undrawn bank borrowing facilities of approximately RMB1,313.6 million as at December 31, 2019.

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 at December 31, 2019 was 1.9% (December 31, 2018: 4.0%). Our operation has been lightly leveraged because of our good cash generating capability from our operating activities. Although we expect that our capital expenditure in the following years will maintain at a relatively high level, we do not anticipate our gearing ratio will substantially increase considering the balance of bank and cash on hand. Therefore, we are exposed to limited interest rate risk.

CURRENCY RISK

The Group conducts its businesses in the PRC and its functional currency is RMB. However, certain bank balances are denominated in foreign currencies, which exposed the Group to foreign currency risk. As at December 31, 2019, the financial assets, time deposits, bank balances and cash held in RMB, HK$ and US$ accounted for 95.3%, 3.3% and 1.4%, respectively, of the total amount of these assets. We believe the current level of financial assets, time deposits, bank balances and certain payables denominated in foreign currencies expose us to a limited and manageable foreign currency risk. The management controls foreign currency risk by strictly managing the size of foreign currency risk exposure and closely observing the movement of foreign currency rates. We may, if necessary, hedge against foreign currency risk using financial instruments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In December 2018, we signed an agreement to acquire 80% equity interest in Hubei Tianxian Cemetery at a consideration of RMB40.0 million. It mainly provides burial services in Xiantao City and Tianmen County of Hubei Province. The acquisition was completed in January 2019.

On January 22, 2019, a wholly-owned subsidiary of the Group, entered into a limited partnership agreement with Yongying and Linxin in respect of the setting up of a funeral and cemetery buyout fund and the subscription of interests therein. Pursuant to the limited partnership agreement, the total capital commitment to the limited partnership fund is RMB800.2 million and each of Yongying, the Group and Linxin has committed to contribute RMB400 million, RMB399.2 million and RMB1 million to the limited partnership fund, respectively. Meanwhile, the Group and Yongying entered into a shortfall supplement agreement. For more details, please refer to our announcements dated January 22, 2019 and March 11, 2019. As of December 31, 2019, capital contribution made by the wholly-owned subsidiaries of the Group to such buyout fund amounted to RMB34.9 million. Future capital contribution will be made according to the project investment requirement of the buyout fund.

In March 2019, we entered into a contract to acquire 95% equity interest of Gansu Hailin Chengang Industrial Co., Ltd.* (甘肅海林幜港實業有限公司), which mainly provides cemetery services in Lanzhou City, Gansu Province, at a consideration of RMB95.0 million. As of now, the acquisition is still in progress.

In May 2019, we entered into a contract to acquire 49% equity interest of Temshine at a consideration of RMB15.9 million as well as the taxes and dues incurred in the transaction. Temshine became a wholly-owned subsidiary of the Company after the acquisition.

In December 2019, we entered into a contract to acquire 40% equity interest of Chongqing Baitayuan at a consideration of RMB119.3 million. Chongqing Baitayuan became a wholly-owned subsidiary of the Company after the acquisition.

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2019, we had 2,349 full-time employees (December 31, 2018: 2,235). We offer competitive packages and benefits to our staff. 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 necessary skills and are remunerated according to their performance.

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group.

CAPITAL COMMITMENT

We contracted, but not provided in the financial statements, for capital expenditure in respect of acquisition of subsidiaries, land use rights, other investments, cemetery assets and property and equipment in a total amount of approximately RMB201.9 million as at December 31, 2019. We also planned to provide approximately RMB163.4 million for the construction of new cemeteries and funeral facilities in Xuancheng City, Qinzhou City, Nanchang City, Ganzhou City, Gaoyou City, Qihe County of Shandong Province and Fuyang City.

We expect our capital expenditure in 2020 and afterwards will maintain at a relatively high level as we are actively seeking industry consolidation and government-enterprise collaboration opportunities and we also anticipate many upcoming small to large scale projects in near future.

ASSETS PLEDGED

As at December 31, 2019, we have pledged 80% equity interest in Changzhou Qifengshan Cemetery to secure the bank borrowings granted to finance the acquisition of this subsidiary. Except for that, no other assets of the Group were pledged or charged.

CEMETERY LANDS AVAILABLE

The saleable area for burial plots was approximately 2.30 million sq.m. as at December 31, 2019 (December 31, 2018: approximately 2.20 million sq.m.), which was sufficient to satisfy the needs of the Group's sustainable operation in the long run. When we determine the saleable area of each cemetery, we have already estimated and excluded those areas not for construction of tombs, such as the areas in connection with business centres, office buildings, landscaping and main roads. Such estimation may be updated from time to time as our development plan may be improved from time to time.

CONTINGENT LIABILITIES

As disclosed in our previous announcements, one of our indirect and non wholly-owned subsidiaries, Wuyuan Wanshoushan Cemetery, was involved in a couple of lawsuits as a defendant. We had closed most of the lawsuits without substantial losses by the end of year 2018, with four outstanding lawsuits remaining. One of the lawsuits was ruled in favour of us, and there has been no notifiable progress on the remaining three lawsuits during the Year. Their status remains substantially unchanged from those set out in our latest announcement on the matter. The aggregate of claim amount of such three lawsuits was approximately RMB52.3 million (including the claimed principal and contingent interests).

We are still in the process of taking all necessary steps, including by close cooperation with the public security department, in reversing the judgements and vigorously defending against the proceedings. As of December 31, 2019, after taking into account of the legal opinion and the current status of the proceedings and investigation, the Directors were of the view that the proceedings would in the end result in a material adverse impact on the financial position and business operation of the Group was not probable and concluded that no provision should 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.

EVENTS AFTER THE YEAR

Starting from January 2020, measures to restrict personal travel and gathering have been implemented throughout China to prevent the spread of the new coronavirus pneumonia outbreak in Wuhan, PRC. Such measures led to the deferred purchase of grave space by potential customers and the simplification or cancellation of bereavement ceremony, which adversely affected the Group's business in the short term. The Group has already taken steps to cope with the situation. We first assured the safety of our customers and employees, while creating new sources for revenue generation through internet marketing and online business, as well as reducing operating expenses. The deferred demand for funeral services will be released once the epidemic eases and people's work and life resumes to normal. Therefore, we consider such adverse impact to be insignificant to the Group's business in the long run.

Except as disclosed above, there were no other significant events that might affect the Group subsequent to the Year.

PROSPECTS

Looking ahead, we will continue to do our best in the death care industry in China, leading the industry revolution and improving services quality by continuous innovation and giving more respect, as well as cultural, environmental, technological, and charitable connotation to death care services. We will adhere to our strategy of expansion, look for suitable growth opportunities, strive for external development and business chain perfecting, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share to cater for more people's need for high quality death care services. We will push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business, 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 become an important segment of the Group's business. With much effort to promoting pre-need business with the pre-need contract business as the core 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 and the scale of professional design business, and foster the integration of the Internet to improve service contents and accessibility and formulate our plan for the business of death care related consumables. Last but not least, while promote growth in various business segments, we will strive for a balance between short-term interest and long-term value, expand our business at 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.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, June 9, 2020 and the notice of AGM is expected to be published and despatched to the Shareholders on or about Thursday, April 16, 2020.

FINAL DIVIDEND

The Board recommend the payment of final dividend of HK4.21 cents per Share for the Year (Last Year: HK3.72 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 before

Tuesday, June 30, 2020. 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, June 19, 2020.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Thursday, June 4, 2020 to Tuesday, June 9, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, June 3, 2020.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Wednesday, June 17, 2020 to Friday, June 19, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all share transfer documents 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, June 16, 2020.

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 for the Year.

CORPORATE GOVERNANCE PRACTICES

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 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 during the Year.

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

On January 4, 2019, the Company bought back 50,000 Shares on the Stock Exchange, at the highest and lowest prices of HK$5.28 and HK$5.23 per share, respectively, which have been cancelled. Save for the above, neither the Company nor any of its subsidiaries has 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 a non-executive Director, namely Mr. Huang James Chih-cheng, has reviewed together with the management of the Company and the external auditor the accounting principles and policies adopted by the Group, annual results and the consolidated financial statements of the Group for the Year.

PUBLICATION OF ANNUAL RESULTS AND 2019 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 annual report for 2019 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

"AGM"	annual general meeting of the Company to be held on June 9, 2020
"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
"ASP"	average unit selling price
"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

"Changchun Huaxia Cemetery"	a cemetery in Changchun City of Jilin Province and operated by Changchun Huaxia Cemetery Co., Ltd.* (長春華夏陵園有限公司), a limited company established under the laws of the PRC
"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
"Chaoyang Longshan Cemetery"	a cemetery in Chaoyang County of Liaoning Province and operated by Chaoyang Longshan Fuyuan Cemetery Co., Ltd.* (朝陽縣龍山福園公墓有限公司), 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 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 Hong Kong on October 10, 2011. It is a direct held subsidiary of the Company
"Group", "our Group", "us", "we" or "Fu Shou Yuan Group"	the Company and its subsidiaries

"Guangxi Huazuyuan Cemetery"	a cemetery in Fangchenggang City of Guangxi Zhuang Autonomous Region and operated by Guangxi Huazuyuan Investment Co., Ltd.* (廣西華祖園投資有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2018
"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
"Guizhou Tianyuanshan"	Guizhou Tianyuanshan Funeral Service Co., Ltd.* (貴州天圓山殯儀服務有限公司), 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
"Helinge'er Anyou Cemetery"	a cemetery in Hohhot City of the Inner Mongolia Autonomous Region and operated by Helingeer County Anyou Ecological Memorial Cemetery Co., Ltd.* (和林格爾縣安佑生態紀念陵園有限責任公司), 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
"Hubei Tianxian Cemetery"	a cemetery in Wuhan of Hubei Province, a limited company established under the laws of the PRC and became a subsidiary of the Company since January 2019

"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
"Last Year"	the year ended December 31, 2018
"Linxin"	Shanghai Linxin Asset Management Co., Ltd. (上海臨信資產管理有限公司), a company established in the PRC with limited liability and a private investment fund manager approved by the Assets Management Association of China* (中國證券投資基金業協會)
"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 2018
"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
"Restricted Share Incentive Scheme"	the restricted share incentive scheme adopted by the Company with effect from November 29, 2019
"RMB"	Renminbi yuan, the lawful currency of the PRC
"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$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Temshine"	Beijing Tian Quan Jia Jing Cemetery Construction & Design Co., Ltd.* (北京天泉佳境陵園建築設計有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since August 2018
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" 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"	the year ended December 31, 2019
"Yongying"	Yongying Asset Management Co., Ltd.* (永贏資產管理有限公司), a company established in the PRC with limited liability and a private investment fund manager approved by the Assets Management Association of China* (中國證券投資基金業協會)

"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
"%"	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 13, 2020

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. Liang Yanjun.