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Fu Shou Yuan International Group Limited

福壽園國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1448)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

2020 INTERIM RESULTS HIGHLIGHTS

- Total revenue for the six months ended June 30, 2020 amounted to approximately RMB733.9 million, representing a decrease of approximately 19.5% when compared to that of the six months ended June 30, 2019.
- Profit and total comprehensive income attributable to owners of the Company for the six months ended June 30, 2020 amounted to approximately RMB247.5 million, representing a decrease of approximately 16.6% when compared to that of the six months ended June 30, 2019.
- Basic earnings per Share for the six months ended June 30, 2020 amounted to approximately RMB10.9 cents, representing a decrease of approximately 18.0% when compared to that of the six months ended June 30, 2019.
- The Board has declared an interim dividend of HK3.28 cents per Share for the six months ended June 30, 2020.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2020 together with the comparative figures for the same period of last year as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

		For the six months ended June 30	
		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	733,879	911,724
Operating expenditures			
Staff costs		(153,184)	(190,218)
Construction costs		(23,054)	(29,096)
Consumed materials and goods		(51,319)	(70,080)
Outsourced service costs		(18,682)	(23,421)
Marketing and sales channel costs		(15,224)	(22,411)
Depreciation and amortisation		(63,771)	(59,383)
Other general operating expenditures		(55,132)	(63,365)
Inventory changes		3,282	7,027
Profit from operations		356,795	460,777
Other income, gains and losses		35,714	35,048
Share of loss of joint ventures		(134)	—
Finance costs		(4,626)	(5,473)
Profit before taxation	5	387,749	490,352
Income tax expense	6	(80,363)	(108,330)
Profit and total comprehensive income for the period		<u>307,386</u>	<u>382,022</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		247,483	296,913
Non-controlling interests		59,903	85,109
		<u>307,386</u>	<u>382,022</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share			
— Basic	7	<u>10.9</u>	<u>13.3</u>
— Diluted	7	<u>10.9</u>	<u>13.2</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020

		June 30, 2020	December 31, 2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property and equipment	8	634,359	549,072
Right-of-use assets		130,579	122,781
Investment property		6,509	6,509
Intangible assets		129,360	126,140
Goodwill	9	507,757	441,581
Financial assets at fair value through profit or loss	14	38,110	38,110
Deposits paid for acquisition of land use rights		9,054	9,054
Cemetery assets	10	1,543,415	1,519,449
Investment in an associate		750	750
Investment in joint ventures		35,607	35,741
Restricted deposits		59,340	56,268
Deferred tax assets	19	60,088	54,450
Other long-term assets		5,000	5,000
		3,159,928	2,964,905
Current assets			
Inventories	11	478,928	481,059
Trade and other receivables	12	91,055	106,475
Financial assets at fair value through profit or loss	14	639,340	417,580
Time deposits	15	225,500	8,459
Bank balances and cash	13	1,442,366	2,007,142
		2,877,189	3,020,715
Current liabilities			
Trade and other payables	16	509,199	598,306
Lease liabilities		20,613	19,630
Contract liabilities	18	52,930	47,317
Loans from non-controlling shareholders of subsidiaries		41,124	43,938
Income tax liabilities		130,792	134,669
Borrowings	17	40,000	22,500
		794,658	866,360
Net current assets		2,082,531	2,154,355
Total assets less current liabilities		5,242,459	5,119,260

	<i>NOTES</i>	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Non-current liabilities			
Contract liabilities	18	345,795	335,839
Other long-term liabilities		21,392	21,345
Loans from non-controlling shareholders of subsidiaries		6,000	6,000
Borrowings	17	6,360	13,860
Deferred tax liabilities	19	101,436	93,893
Lease liabilities		57,309	63,110
		538,292	534,047
Net assets		4,704,167	4,585,213
Capital and reserves			
Share capital		140,255	137,748
Reserves		4,042,063	3,905,322
Equity attributable to owners of the Company		4,182,318	4,043,070
Non-controlling interests		521,849	542,143
Total equity		4,704,167	4,585,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a limited company incorporated on January 5, 2012 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands, and its shares have been listed on the Stock Exchange since December 19, 2013. The address of the registered office of the Company is Ocorian 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 Period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards (“IFRS”) that are mandatorily effective for the Period.

Due to early adoption of the Amendment to “IFRS 16-Lease” in relation to the COVID-19-related rent concessions, the Group recognized no material concessions for the six months ended June 30, 2020.

Except as described above, the application of new and revised IFRS in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed 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 assets 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.

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 recognized over the service period. 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. SEGMENT INFORMATION

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

	For the six months ended June 30	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Burial services	618,830	772,288
Funeral services	102,146	128,256
Other services	16,354	16,085
Inter-segments elimination	(3,451)	(4,905)
	<u>733,879</u>	<u>911,724</u>

Geographical information

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

	For the six months ended June 30	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Shanghai	347,433	442,944
Henan	42,833	56,778
Chongqing	34,052	34,894
Anhui	67,473	94,341
Shandong	40,363	40,286
Liaoning	66,969	95,497
Jiangxi	34,328	39,477
Fujian	14,992	24,344
Zhejiang	16,381	14,982
Jiangsu	36,198	34,098
Guangxi	5,844	8,177
Inner Mongolia	6,426	6,547
Guizhou	7,330	8,062
Hubei	354	117
	<u>720,976</u>	<u>900,544</u>

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended June 30	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs, including Directors' remuneration:		
Salaries, wages, bonus and other benefits	141,631	169,198
Retirement benefits scheme contributions	9,946	12,990
Share based payments expenses	1,607	8,030
	<hr/>	<hr/>
Total staff costs	153,184	190,218
	<hr/>	<hr/>
Depreciation of property and equipment	23,377	22,570
Amortization of right-of-use assets	11,916	10,050
Amortization of intangible assets	3,877	2,920
Amortization of cemetery assets	24,601	23,843
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6. INCOME TAX EXPENSE

	For the six months ended June 30	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("PRC EIT")		
Current period	89,753	117,520
Over provision in prior years	(1,988)	(1,592)
Deferred tax	(7,402)	(7,598)
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	80,363	108,330
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7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended June 30	
	2020	2019
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	<u>247,483</u>	<u>296,913</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,261,276,845	2,228,885,941
Effect of dilutive potential ordinary shares:		
Share options	<u>13,601,842</u>	<u>17,497,867</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,274,878,687</u></u>	<u><u>2,246,383,808</u></u>

8. PROPERTY AND EQUIPMENT

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Buildings	354,873	314,531
Leasehold improvements	16,311	16,652
Furniture, fixtures and equipment	39,651	41,774
Motor vehicles	10,625	11,750
Construction in progress	<u>212,899</u>	<u>164,365</u>
	<u><u>634,359</u></u>	<u><u>549,072</u></u>

9. GOODWILL

The movements in goodwill during the six months ended June 30, 2020 are as follows:

	For the six months ended June 30, 2020 RMB'000
Cost	
At the beginning of the period (audited)	441,581
Arising on acquisition of subsidiaries during the period	66,176
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At the end of the period (unaudited)	507,757
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10. CEMETERY ASSETS

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Land costs	1,022,377	1,016,107
Landscape facilities	203,595	200,026
Development cost	317,443	303,316
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	1,543,415	1,519,449
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The land costs have definite useful lives and are 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 lives.

Development cost represents the cost paid for the foundation work and putting the land into the condition of ready for development of cemetery business. Amortization for development cost is provided on a straight-line basis over the estimated useful life (same as land costs over the lease terms).

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

11. INVENTORIES

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Burial plots	336,247	335,258
Tombstone	88,471	93,562
Others	54,210	52,239
	<u>478,928</u>	<u>481,059</u>

12. TRADE AND OTHER RECEIVABLES

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Trade receivables	44,128	56,480
Other receivables comprise:		
Prepayments and rental deposits on properties	1,925	1,511
Staff advances	4,564	3,091
Entrusted loan (<i>Note</i>)	7,450	8,950
Deposit for new projects	4,701	5,539
Prepayments to suppliers	8,148	8,751
Interest receivables	6,079	10,344
Others	14,060	11,809
	<u>91,055</u>	<u>106,475</u>

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 period end is as follows:

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Within one year	40,355	52,510
More than one year but not exceeding two years	2,599	668
More than two years but not exceeding three years	316	—
More than three years but not exceeding four years	858	3,302
	44,128	56,480

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.

13. BANK BALANCES AND CASH

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Interest rate per annum		
— RMB	0.35%–3.40%	0.30%–3.70%
— HK\$	0.01%–3.30%	0.01%–3.50%
— US\$	0.05%–0.44%	0.05%

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
HK\$	41,519	80,904
US\$	34,497	34,511
	76,016	115,415

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Unlisted cash management products	639,340	417,580
Equity investment	<u>38,110</u>	<u>38,110</u>
	<u><u>677,450</u></u>	<u><u>455,690</u></u>

During the Period, the Group entered into a number of contracts in respect of structured deposit and cash management products as part of its cash management. The structured deposit and cash management products have been accounted for as financial assets at FVTPL on initial recognition. In the opinion of the Directors of the Company, the fair value of the structured deposit and cash management products at June 30, 2020 approximated their principal amounts.

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 of the Company, the fair value was about RMB38.1 million as at June 30, 2020.

15. TIME DEPOSITS

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
RMB-denominated	<u><u>225,500</u></u>	<u><u>8,459</u></u>

As of June 30, 2020, the Group had fixed-term deposits in banks in the PRC with maturities of six months. The deposits carry fixed interest rates of 2.972% per annum (December 31, 2019: fixed interest rates of 1.937% per annum).

16. TRADE AND OTHER PAYABLES

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Trade payables	201,070	199,664
Other payables comprise:		
Advances and deposits from customers	39,482	12,535
Payables for acquisition of property and equipment	1,726	1,499
Salary, welfare and bonus payables	60,651	130,066
Other accrued expenses	50,183	53,912
Consideration payable for acquisition of subsidiaries	109,682	37,703
Consideration payable for acquisition of non-controlling interests	7,171	142,321
Others	39,234	20,606
	<u>509,199</u>	<u>598,306</u>

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

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
0–90 days	100,111	64,239
91–180 days	23,646	26,783
181–365 days	27,039	33,450
Over 365 days	50,274	75,192
	<u>201,070</u>	<u>199,664</u>

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

17. BORROWINGS

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Bank borrowings		
— Secured by the Group's equity interest in a subsidiary	21,360	36,360
— Unsecured	25,000	—
	<u>46,360</u>	<u>36,360</u>
Carrying amount of the above borrowings payable:		
Within one year	40,000	22,500
More than one year but not exceeding two years	6,360	13,860
	<u>46,360</u>	<u>36,360</u>

The bank borrowings secured by the Group's equity interest in a subsidiary carried interest at 4.998% per annum from January 1, 2020 to March 10, 2020 and 4.35% per annum from March 11, 2020 to June 30, 2020 (December 31, 2019: 4.998%).

The bank borrowings unsecured carried interest at 4.35% per annum from January 20, 2020 to March 29, 2020 and 3.90% per annum from March 30, 2020 to June 30, 2020.

18. CONTRACT LIABILITIES

	June 30, 2020 <i>RMB'000</i> (Unaudited)	December 31, 2019 <i>RMB'000</i> (Audited)
Cemetery maintenance services	375,857	362,279
Sales of pre-need contracts	22,868	20,877
	<u>398,725</u>	<u>383,156</u>

Cemetery maintenance services

The contract liabilities related to cemetery maintenance services represent 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 plots 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, represent 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 are sales of funeral services based on a contract prior to death occurring. The payment is due when the pre-need contract is signed, this gives rise to contract liabilities at the start of a contract, until the revenue is recognised when the funeral service is offered.

19. DEFERRED TAXATION

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

	June 30, 2020 RMB'000 (Unaudited)	December 31, 2019 RMB'000 (Audited)
Time difference for certain accruals and liabilities	36,986	35,438
Unused tax losses	21,041	16,953
Fair value adjustment	(99,375)	(91,834)
	<u>(41,348)</u>	<u>(39,443)</u>

20. DIVIDENDS

During the Period, the Company has declared and paid the final dividend of HK4.21 cents per Share for 2019, amounting to approximately RMB89.0 million in total.

On August 21, 2020, an interim dividend in respect of the six months ended June 30, 2020 of HK3.28 cents per Share was declared by the Directors.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby report the results of the Group for the six months ended June 30, 2020.

In the first half of 2020, the world faced serious challenges, with COVID-19 continuously applying pressure to the global economic activities and the economic activities of various countries shrinking sharply. The trade suffered pressure with the international commodity prices falling, while the economic development suffered tremendous shock. In order to cope with the impact of coronavirus outbreak on the society and the economy, counter-cyclical adjustment and regulation had been strengthened in China to boost the investments and consumption of real economy and hedge against the downward economic pressure. With the gradual control of the coronavirus outbreak in China, various industries resumed production and work, and the economy of China saw significant improvement as the market picked up by degrees.

In fighting against the coronavirus outbreak, Fu Shou Yuan insisted on serving society and people's livelihood and launched online tomb-sweeping service timely, preventing the deceased from being neglected in special days amid the quarantine measures. All staff of the Group worked together and dedicated themselves to their posts and charitable undertakings, doing their very best for the control and prevention of coronavirus outbreak and navigating through the adversities with the society and the people.

Facing the external environment full of uncertainties, the development of the Group remained stable in the first half of 2020, during which, the Group recorded total revenue of RMB733.9 million. Net profit was RMB307.4 million, of which profit and total comprehensive income attributable to the owners of the Company was RMB247.5 million. The Board declared an interim dividend of HK\$3.28 cents per Share for 2020 to the Shareholders in appreciation of their support.

"Filial piety" is a traditional culture and virtue of China. The culture of filial piety and respect for the elderly has become an important foundation for promoting the development of the death care service industry. With the increase in aging population, the improvement in living standards in China and the accelerating urbanization, the demand and requirement for death care services has been increasing sharply, implying vast opportunities for the country to comfortably grow into a globally leading death care service market where the Group was well established.

Since its establishment, Fu Shou Yuan always adheres to the original intention of "running a good enterprise and changing the entire industry". It actively develops its core business and continuously enhances the quality of services. At present, the Group has established its presence across burial services, funeral services, equipment and supplies, pre-need services, landscape design, "Death Care + Internet" and life education. The Group's business has been expanded to more than 30 cities in 16 provinces, autonomous

regions and municipalities in China including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia and Hubei.

In the first half of 2020, the Group continued to optimize the national strategic layout, developed the internet business to spearhead the industrial development, and committed more resources to livelihood, cultural heritage and ecological progress. During the Period, the Group adapted to the current trend and launched the online tomb-sweeping service “Fu Shou Cloud” in the burial units and funeral service institutions within the Group in more than 30 cities. Such online tomb-sweeping service connects the online space and the offline environment, so that the customers can be on the scene without leaving home, and they can even issue instructions remotely through the mobile phone, thereby breaking the time boundary and geographical restrictions for tomb-sweeping activities. In addition, the pre-need contracts continued to be the important strategic pivots of the Group, satisfy the pre-need of customers to make their own funeral arrangement and bringing about a stable source of customers for the Group. Pre-need services are being recognized, supported and increasingly sought after by governments of various levels and elderly service centres. The Group continued to optimize its product mix, increasing the proportion of land-saving products and artistic cemeteries against traditional cemeteries, so as to improve land utilization and greenery. Landscape design for cemeteries and funeral facilities is forming an independent segment, and has functioned to synergize the Group’s business arms and sharpen its competitiveness.

The Group treats fulfilling the demand for “making people pass away respectfully with relief and dignity” as its own responsibility. Over the years, Fu Shou Yuan explored with local governments on the ways to develop the modern death care business, including various cooperation modes such as joint venture cooperation, participation in the restructuring of state-owned funerals, BOT (Build-Operate-Transfer), outsourcing government services or construction by the public sector and operation by the private sector. Fu Shou Yuan modified or built death care service facilities in cities and counties within provinces (autonomous regions and municipalities) such as Shanghai, Chongqing, Anhui, Shandong, Fujian, Jiangxi, Jiangsu and Zhejiang. It also adopted the form of government purchases to conduct custody operation. Fu Shou Yuan actively participated in renewal projects for obsolete urban death care facilities, promoted the concept of environmental-friendly cremation and standardized death care services, and assisted in solving problems such as the inadequacy of death care facilities, the relocation and modification of old graves during urbanization, the optimization of death care services system. Meanwhile, through the construction of death care facilities of higher standards and innovative services, Fu Shou Yuan promoted a new style of civilized funeral and burial, providing better services for the people.

Fu Shou Yuan focuses on services with high quality and value-added, continuously innovates its service values, improve the entire chain of high-standard service systems, and gradually forms a model of blockchain expansion. In April, the Group and Aeon Life Insurance Company, Ltd. reached strategic cooperation where both parties will commence the “Insurance + Life Care” business together and jointly launch the “Green Life Services”, providing comprehensive, transparent, standardized and premium one-stop pre-need and funeral services to consumers. This was an important measure of cross-border innovation in the insurance and death care service industries. In June, the Group and Jinsha Fuze Binzang Co., Ltd* (金沙縣福澤殯葬有限責任公司) signed a contract for the Guizhou Province Bijie City Jinsha Fuze Binzang project (貴州畢節市金沙縣福澤殯葬項目), which was an important step for the Group to expand its presence in Guizhou Province and would further enhance the integrated service capability of the Group in Guizhou.

During the Period, the Group received recognition and support from major financial institutions. In April, the Group and China Construction Bank, Shanghai Branch reached strategic cooperation, pursuant to which, China Construction Bank, Shanghai Branch granted an intentional credit line of RMB5 billion to the Group. Through such comprehensive cooperation with China Construction Bank, the Group will enhance its expansion efforts to speed up its own development. In June, the Group and Shanghai Rural Commercial Bank Co., Ltd. concluded a comprehensive strategic cooperation agreement, pursuant to which, Shanghai Rural Commercial Bank Co., Ltd. will provide intentional borrowing facilities equivalent to RMB5 billion to the Group and its affiliated companies as well as cash management, supply chain financing and investment banking to support Fu Shou Yuan in building itself into an international death care service enterprise.

Fu Shou Yuan has been always paying attention to people’s livelihood, actively participating in social welfare activities, fulfilling the social responsibility and contributing to poverty alleviation. Since the epidemic prevention and control measures kicked off, the demand for anti-epidemic materials such as disinfectants and protective equipment has surged across the country. Shanghai Fu Shou Yuan Public Welfare Development Foundation was highly concerned about the epidemic prevention and control work. It quickly responded and donated anti-epidemic materials to funeral units and social welfare institutions in Shanghai, Wuhan and Tianmen, supporting the epidemic prevention and control work and the front-line medical staff. The Group’s branches and subsidiaries in various regions actively carried on the community volunteer services and caring visits to local welfare institutions, and donated materials to organizations and groups in need. Fu Shou Yuan also jointly launched online “Grief Counseling Practical Courses in Epidemic Relief” with relevant institutions to take care of mental needs of the patients of COVID-19 and their families as well as the people under the threat of the epidemic. In June 2020, with its devotion in the life education undertaking and the delivery and promotion of the right sense of life and death to the public over the years, the Group was awarded as one of the Top 10 Charity Projects of the Year in the China Charity Ranking 2020 for its “Non-profit Public Awareness

Program of Life Education (Thanatological Education)”, which was a full recognition and high compliment of Fu Shou Yuan’s active promotion of public life education in recent years.

The Group actively assumed its responsibility on the assurance of people’s livelihood, covering various fields including cultural education, charitable donation, pre-need care, ecological and environmental protection. The Group’s contribution has been fully affirmed and recognized by all sectors of society. Over the years, the Group was awarded multiple awards, including the China Charity Award, the “Public Welfare Honor” from the Community Chest of Hong Kong, “Green Model Award” from the China Charity Festival, “Contribution to Sustainable Development Award” from the Social Responsibility Conference, Shanghai Public Welfare Selection Top 10 Charity Partner Enterprise and “Most Socially Responsible Listed Company” in the 2019 Jin Gang Gu (金港股) Award. In addition, the Group is committed to promoting community welfare development. In March 2020, the Group initiated a charity plan for the distribution of “Fuyuan Safety Protection Package”, providing voluntary caring services about spiritual comfort, sadness counselling and pre-need planning to the elderly in difficulty in the local communities during and after the epidemic. In April 2020, Ms. Yi Hua, Director of the Culture and Education Committee of Fu Shou Yuan International Group and Dean of China Fu Shou Yuan Life Service Academy, was awarded the “Outstanding Individual” of the 11th China Talent Development Awards. In May 2020, the Group was awarded the “2019 Outstanding Contribution Award from Shanghai Services Federation”.

The Group upholds to the philosophy of “human-oriented and culture rooted” to build a caring and warm life service system for the society, and strives to promote the outstanding Chinese traditional culture and lead the development and form of the modern death care industry in China. Looking forward, Fu Shou Yuan will continue to do its best in the death care industry in China. By striving for expansion and innovation in its services, Fu Shou Yuan will expand the industrial chain layout of the life service industry, and 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 living up to, 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.

Meanwhile, 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. Relevant high ranking officials of the death care administration department under the Ministry of Civil Affairs of the PRC have brought up this reform concept in their speeches during various important sessions, as well as published a thesis titled “Certain Suggestions on The Prominent Problems in and the Deepening Reforms of the Death Care Services” (《殯葬領域突出問題與深化改革的若干建議》) in the “Social Governance Review” journal, which has received extensive attention. The article guaranteed favorable opportunities to the industry and its market in various respects, including: encouraging the development of a top-level design conducive to service providers which incorporates the concept of “making people pass away respectfully” into the proposal, elevating the Party’s leadership towards death care services to a new level; suggesting enhancement of the cooperation with social capital, so as to promote service quality through competition; regarding the basic services that state-owned corporations could hardly provide, it suggested promoting the collaboration between private and state-owned corporations as a possible solution; the article also proposed to incorporate the development of cemetery facilities into the National Spatial Planning. All the abovementioned considerations and initiatives will be conducive to the Group’s further development as a leading corporation in the entire industry chain of death care services.

BUSINESS COMMENTARY

During the Period, despite the occurrence of a worldwide public health emergency, after ensuring the safety for our employees and customers, 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, pushing forward with optimization of resource allocation. 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 Period, the Group was committed to informatization construction and the launch of a new integrated “Death Care + Internet” online system, namely “Fu Shou Cloud”. In response to the COVID-19, the Group launched “Fu Shou Cloud” online tomb-sweeping services in cemeteries and funeral service institutions in over 30 cities spanning over 16 provinces, autonomies and municipalities across the country. It bypassed the restriction of time and space by connecting online space and offline scenarios and services, thereby providing an immersive experience to customers staying at home. Remote commands also allowed customers to express their longing to their family through instant and on-site demonstration of tomb-sweeping activities. In addition, channels and products, such as VR tomb-viewing, online mall, valet keeping vigil, cremains memorial, online obituary, went through regular innovation to achieve an online-to-offline, comprehensive and continuous connection between Fu Shou Yuan and customers to enhance consumption experience.

During the Period, the Group continued to implement structural optimization of resource allocation. We continued to enhance overall budget management and internal control to boost the efficiency of resource utilization. We worked relentlessly on the development of procedure standardization and operation informatization, focusing on operating efficiency and reducing its cost in operations. The self-developed cemetery business system and funeral business system of the Group's had achieved full business coverage. The integration of big data aided the Group in further implementation of business standardization and management refinement to fortify its leading position in the industry and lay down a solid foundation for the sustainable and rapid development of the Group.

During the Period, as an important strategic pivot of the Group, pre-need services contracts continued to record stable growth. 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 child birth, 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 governments of various levels and elderly service centres. As at June 30, 2020, the Group has been offering pre-need services contracts for funeral services in 21 cities of 12 provisional regions. We signed a total of 2,579 pre-need services contracts during the Period, representing an increase of 78% as compared to the same period of last year (the same period of last year: 1,449 pre-need services contracts). 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. In April 2020, the Group and Aeon Life Insurance Company Ltd. agreed to a strategic cooperation to further deepen the comprehensive cooperation and exchange, boost innovation capability and achieve a new leap in strategic development. Both parties will work together in the commencement of "Insurance + Life Care" business to jointly launch "green life service", an insurance contracted product, with the aim of providing extensive, transparent, standardized and quality one-stop services to various consumers to satisfy their demands under different scenarios.

The Group continued to push for the continuous marketing and sales of environmental-friendly cremation machines. During the Period, the Group achieved a significant breakthrough in terms of government procurement, with contracted sales from 10 sets of purchasing orders. As at June 30, 2020, the Group had 22 sets of cremation machines contracted but not yet delivered. We expect that the cremation machine business will bring about considerable contribution to the Group's revenue in the future.

During the Period, the Group continued to expand its business presence. In June 2020, the Group entered into a contract in regard to the acquisition of the Fuze cemetery project (福澤殯葬項目) located in Jinsha County of Bijie City, Guizhou Province. Such contract is the Group's latest integrated cemetery project in Guizhou Province collaborated with another party, which deepened our presence as well as further enhanced our comprehensive service capability in said province. Concurrently, the Group is under process to acquire or collaborate in various target companies and projects, whereby breakthrough is expected in the second half of 2020 at the earliest. Among which, the Group has entered into a contract in July 2020 to acquire the entire equity interest in Harbin Mingxiyuan Cemetery Co., Ltd. (哈爾濱明西園公墓有限責任公司) located in Harbin City of Heilongjiang Province. The acquisition has been completed and the Group is able to, for the first time, establish its foothold in Heilongjiang Province. Such contracted project provides the Group a strong position in terms of market services with extensive geographical advantage, allowing us to accelerate our plan to deepen our presence in major provinces and province capitals, which will in turns create synergy effect and radiation of services. In addition, the construction of our cemetery project in Xuancheng City, Anhui Province 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; our cemetery project in Qinzhou City, Guangxi Province was put into operation in May 2020; the Zhengan funeral parlor (正安殯儀館) located in Guizhou Province was officially opened and put into operation in June 2020; and the funeral service center in Gaoyou City of Jiangsu Province has also commenced operation in July 2020. We continued to accelerate renovation and upgrade works of acquired or escrowed funeral facilities, which may further show effects of synergies. Meanwhile, we consistently pushed for the implementation, development and operation of newly established projects, including: construction and operation of a funeral parlour under the "BOT" mode in Linqun County, Fuyang City, co-financing the construction of a cemetery with the local governments in Qihe County, Shandong Province and Ganzhou City, Jiangxi Province, respectively, and cooperation in respect of a funeral parlour and cemetery in Tai'an City, Shandong Province.

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. During the outbreak of COVID-19, the Group fought the virus through concerted effort. The Group has been closely monitoring the health of the staff to ensure zero case of infection. The management of the Group promptly issued the “Letter to Staff Members of Fu Shou Yuan” to express gratitude to and raise the morale of all dedicated staff members. Meanwhile, through the coordination of the Group’s Communist Party, labor union and Chinese Communist Youth League, our Party (League) members responded to the call to actively relieve the difficulty and complicated situation of the frontline and offer help to the public and customer service. All staff members reacted positively to the request of the government and the Group to resume the operation and production. In order to minimize the impact of the COVID-19 on our business, all staff members and the Group shared the same mission of implementing various measures effectively to reduce costs and boost efficiency, thereby achieving outstanding results.

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 services 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, organized life education activities for the public, established museum to promote outstanding traditional culture, and supported various patriotic education activities. The Group’s charitable endeavors were well received by all sectors of society. Since the outbreak of the COVID-19, 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 the funeral industry in Wuhan.

Despite the unforeseen impact from the COVID-19, each business segment of the Group demonstrated strong recoverability and profit resilience. Due to the COVID-19 influence, revenue of the Group recorded a year-on-year decrease for the first quarter and recovered to an increase for the second quarter; in particular, as the COVID-19 was brought under control in May, the delayed market demand was gradually released, leading to a fast and continuous rebound in terms of operating data and financial performance in May and June. In view of the above, during the Period, total revenue of the Group amounted to RMB733.9 million, representing a decrease of 19.5% over the same period of last year. Profit and comprehensive income attributable to the owners of the Company amounted to RMB247.5 million, decreased by 16.6% when compared to that of last year, while net profit margin remained consistent with the same period of last year at 41.9%.

REVENUE

During the Period, our revenue decreased by RMB177.8 million or 19.5% to RMB733.9 million from RMB911.7 million of the same period 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 Period:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Burial services	618,830	84.3%	772,288	84.7%
Funeral services	102,146	13.9%	128,256	14.1%
Other services	16,354	2.2%	16,085	1.7%
Inter-segment elimination	(3,451)	(0.4%)	(4,905)	(0.5%)
Total	<u>733,879</u>	<u>100.0%</u>	<u>911,724</u>	<u>100.0%</u>

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 Period:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	5,427	556,962	6,914	701,642
Public welfare plots and tomb relocation	948	1,797	1,766	6,807
	<u>6,375</u>	<u>558,759</u>	<u>8,680</u>	<u>708,449</u>
Other burial services		<u>60,071</u>		<u>63,839</u>
Total revenue from burial services	<u>6,375</u>	<u>618,830</u>	<u>8,680</u>	<u>772,288</u>

During the Period, revenue from sale of burial plots services for ordinary business purpose decreased by RMB144.7 million or 20.6% as compared to the same period of last year, in which sales volume decreased by 1,487 or 21.5%, while ASP has slightly increased by 1.1%. During the Period, due to the delay of demand for sale of burial plots services caused by the COVID-19, service income experienced a temporary decrease.

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 Period:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
	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*	5,260	549,966	6,907	701,525
Cemeteries related to acquisitions/new construction	167	6,996	7	117
Total revenue from sale of burial plots services for ordinary business purpose	5,427	556,962	6,914	701,642

* Comparable cemeteries refer to those cemeteries owned by the Group for the entire period from January 1, 2019 to June 30, 2020.

During the Period, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries decreased by RMB151.6 million or 21.6% as compared to the corresponding period of the previous year. Such movement was mainly attributable to the deferred demands for burial plots purchases as affected by the COVID-19, which caused the sales volume to decrease by 1,647. Revenue from sale of burial plots services for ordinary business purpose in newly acquired or developed cemeteries increased by RMB6.9 million. The ASP of burial plots sold for ordinary business purpose in the new cemeteries was lower than that of comparable cemeteries, as the cemeteries are located at different regions and 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 Period:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
	No. of	Revenue	No. of	Revenue
	customers	(RMB'000)	customers	(RMB'000)
Funeral services, from:				
Comparable facilities*	16,535	96,066	21,713	128,065
Facilities related to new acquisitions/new construction	2,145	6,080	46	191
Total revenue from funeral services	<u>18,680</u>	<u>102,146</u>	<u>21,759</u>	<u>128,256</u>

* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2019 to June 30, 2020.

During the Period, revenue from funeral services decreased by RMB26.1 million or 20.4%. In particular, the volume of funeral services decreased by 3,079 households or 14.2%, while ASP decreased by approximately RMB400 or 7.2%. During the Period, due to reduced gathering activities as required by the government under the COVID-19, revenue from comparable funeral facilities and services decreased by RMB32 million or 25%, of which the volume of services decreased by 5,178 households or 23.8%, while ASP was slightly decreased as compared to the previous year. ASP of value-added services was constrained under the COVID-19, and 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 and a decrease in ASP was recorded. After the pandemic was brought under control, with the resumption of provision of such value-added services, 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 revenue from burial services and funeral services by region during the Period:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Shanghai	347,433	48.2%	442,944	49.2%
Henan	42,833	5.9%	56,778	6.3%
Chongqing	34,052	4.7%	34,894	3.9%
Anhui	67,473	9.4%	94,341	10.5%
Shandong	40,363	5.6%	40,286	4.5%
Liaoning	66,969	9.3%	95,497	10.6%
Jiangxi	34,328	4.8%	39,477	4.4%
Fujian	14,992	2.1%	24,344	2.7%
Zhejiang	16,381	2.3%	14,982	1.6%
Jiangsu	36,198	5.0%	34,098	3.8%
Guangxi	5,844	0.8%	8,177	0.9%
Inner Mongolia	6,426	0.9%	6,547	0.7%
Guizhou	7,330	1.0%	8,062	0.9%
Hubei	354	0.0%	117	0.0%
Total	720,976	100.0%	900,544	100.0%

During the Period, revenue from each of the remaining regions, excluding Shandong, Hubei, Zhejiang and Jiangsu, have recorded different levels of decrease as affected by the COVID-19. Revenue from cemeteries and funeral services in relevant regions will recover over time and under effective control of the COVID-19.

OTHER SERVICES

Revenue from other services for the Period mainly represented the revenue generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, and revenue from the sale of cremation machines.

OPERATING EXPENDITURE

The Group's operating expenditure, which accounted for 51.4% of our total revenue for the Period (the same period of last year: 49.5%), decreased by RMB73.9 million or 16.4%. Due to the COVID-19 outbreak, the demand for cemeteries and funeral services in the market experienced temporary decrease. During the Period, the Group has commenced further structural adjustment on resources with an emphasis on the continuous optimization of cost structure and the effort in cost reduction and efficiency enhancement which resulted in a decrease in operating expenditure. However, due to fixed cost (such as depreciation and amortization) incurrence, the decrease in operating expenditure was lower than that of the revenue.

The Group's staff costs include staff salaries, bonuses, benefits and amortization of share option cost. During the Period, the staff costs decreased by RMB37.0 million or 19.5%. Such decrease was mainly attributable to the combined effect of various social security concessions granted to the Group and optimization of working structure and remuneration structure of staff during the COVID-19 outbreak.

The construction costs represent our expenditures in building burial plot products (excluding stone materials). During the Period, the construction costs decreased by RMB6.0 million or 20.8%, mainly due to the consistent optimization in cost structure.

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 Period, the consumed materials and goods decreased by approximately RMB18.8 million or 26.8%, which is mainly due to the decrease in business volume and the realization of the effort in cost reduction and efficiency enhancement during the Period.

Marketing and sales channel costs mainly include advertising costs, marketing costs, and sales commission. During the Period, the marketing and sales channel costs decreased by RMB7.2 million or 32.1%. Such decrease was mainly attributable to the decrease in business activities of the market as a result of the outbreak of COVID-19, as well as the decrease in sales commission due to lower income. In addition, we have been optimizing the sales channels in various regions as well as enhancing the development of our direct sales teams, so as to provide better quality services to our customers in a more systemic manner.

During the Period, depreciation and amortization increased by RMB4.4 million or 7.4%, which is mainly due to the commencement of operation of certain new cemeteries and funeral facilities starting from the second half of last year.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Period decreased by RMB104.0 million or 22.6% compared to the same period of last year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Period:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
	Operating Profit (RMB'000)	Operating Profit Margin	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	358,777	58.0%	443,494	57.4%
Funeral services	10,127	9.9%	18,543	14.5%
Other services	(13,589)	(83.1%)	(1,568)	(9.7%)
Inter-segment elimination	1,480	(42.9%)	308	(6.3%)
Total	356,795	48.6%	460,777	50.5%

During the Period, the operating profit margin of burial services increased to 58.0% from 57.4% for the same period of last year mainly because of higher average selling prices of burial plots and effective cost control.

During the Period, funeral services have been affected by the COVID-19 outbreak and products with high added value have been restricted. As a result, the content of services has turned to fundamental services such as cremation, which led to a decrease in funeral services and hence a decrease in the operating profit margin of funeral services segment from 14.5% for the same period of last year to 9.9%. After the gradual control of the COVID-19, the average unit service price, service volume and profitability of the funeral facilities will gradually rebound in the future.

During the Period, other services segment recorded an operating loss of RMB13.6 million, which was mainly due to the operating costs incurred for cremation machines during the trial sale period and the development and investment of Fu Shou Cloud business. We are optimistic about the future of the business on our environmental-friendly cremation machines under the back-drop of tightening of the rules and regulations on environmental protection by the government. Fu Shou Cloud will also be an important direction of the future development of the Group.

FINANCE COSTS

Finance costs for the Period consisted of interest expenses of RMB2.0 million on bank loans (the same period of last year: RMB2.5 million), interest expenses of RMB1.1million (the same period of last year: RMB1.5 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities of RMB1.5 million (the same period of last year: RMB1.5 million).

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 Period mainly include interest income, government grants received, exchange gains and losses, losses from assets disposal, donations and etc. Among which, interest income and gains from unlisted cash management products during the Period amounted to RMB25.6 million, representing an increase of RMB1.3 million or 5.4% as compared to the same period of last year, which is mainly due to strengthened capital centralized management and systematic bargain of wealth management income.

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 corporate income tax rate for the Period was 20.7% (the same period of last year: 22.1%). The difference between the standard tax rate of 25% and the effective tax rate of 20.7% for the Period 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 were recognized as micro and small enterprises and were 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) certain subsidiaries enjoy a tax deduction on exercise of share options by their employees as agreed by relevant government authorities; and (v) the Group reverses certain prior year tax provisions when tax uncertainties on such provisions have been resolved during the Period.

During the Period, income tax expenses were RMB80.4 million, representing a decrease of RMB28.0 million or 25.8% compared to the same period of last year, mainly as a result of the decrease in taxable income caused by the decline in revenue.

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 Period amounted to RMB247.5 million, decreased by RMB49.4 million, or 16.6% compared to the same period of last year. This change was primarily due to the decrease in revenue as a result of the COVID-19 outbreak.

CASH FLOW

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

	Six Months Ended	
	June 30, 2020	June 30, 2019
	(RMB'000)	(RMB'000)
Net cash generated from (used in)		
— operating activities	312,876*	354,542*
— investing activities	(529,890)*	(102,315)*
— financing activities	(347,762)	(131,600)
Total	<u>(564,776)</u>	<u>120,627</u>

* A classification made by the management does not comply with International Financial Reporting Standards, however, the management considers that this classification can better reflect 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 unaudited financial statements amounted to RMB312.9 million (the same period of last year: RMB304.0 million) and the net cash used in investing activities as disclosed in the unaudited financial statements amounted to RMB529.9 million (the same period of last year: RMB51.8 million). During the Period, an amount of nil (the same period of last year: RMB50.6 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 RMB312.9 million for the Period, representing an decrease of RMB41.6 million or 11.8% as compared to the same period of last year. It was primarily due to the decrease in revenue as affected by the outbreak of COVID-19.

During the Period, the net cash used in investing activities amounted to RMB529.9 million. It was primarily due to: (i) payment of RMB39.2 million to acquire subsidiaries, operation rights of cemetery and funeral home and other investments; (ii) 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, and capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities, and construction expenditure of the operating system in total of RMB79.6 million; and (iii) net investment for time deposits and other financial assets of RMB438.8 million, which were partly offset by the interests and gains from unlisted cash management products received of RMB29.8 million.

Our net cash used in financing activities amounted to RMB347.8 million for the Period. It was primarily due to: (i) final dividends for 2019 paid to shareholders of the Company of RMB89.0 million; (ii) dividends paid by subsidiaries to their non-controlling shareholders of RMB103.0 million; (iii) interest payment of RMB2.9 million in connection with borrowings; (iv) repayment of loans to non-controlling shareholders of RMB3.0 million and repayment of bank loans of RMB40.0 million; (v) payment of RMB135.2 million for acquisition of equity from non-controlling shareholders of some non-wholly owned subsidiaries; (vi) purchase of shares of the Company by scheme trustee under the Restricted Share Incentive Scheme, which resulted in net cash outflow of RMB188.7 million after taking into account of the dividend received; and (vii) payment for lease liability of RMB10.7 million. These cash outflows were partially offset by: (i) the proceeds of RMB167.9 million received upon exercise of share options by our employees; (ii) the net capital contribution from the non-controlling shareholders of certain of our non-wholly owned subsidiaries totalled at RMB7.1 million; and (iii) bank loans of RMB50.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2020, we had bank balances and cash of RMB1,442.4 million (December 31, 2019: RMB2,007.1 million), time deposits of RMB225.5 million (December 31, 2019: RMB8.5 million) and financial assets of RMB639.3 million (December 31, 2019: RMB417.6 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 1.4% to 3.8%. 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 in theory and as stipulated, determined by reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, and not guaranteed by the issuing banks, they are secured in substance considering the features and historical performance of such products and present situation of bank 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. The Board confirmed that the transactions in financial assets for the Period, on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

We had outstanding bank borrowings of RMB46.4 million as at June 30, 2020. Of this outstanding balance, RMB40.0 million is repayable within one year and RMB6.4 million is repayable within two years. These borrowings were dominated in RMB and the bank borrowings secured by the Group's equity interest in a subsidiary carried interest at 4.998% per annum from January 1, 2020 to March 10, 2020 and 4.35% per annum from March 11, 2020 to June 30, 2020, while the bank borrowings unsecured carried interest at 4.35% per annum from January 20, 2020 to March 29, 2020 and 3.90% per annum from March 30, 2020 to June 30, 2020. As at June 30, 2020, three non-wholly owned subsidiaries of the Group had total loans of RMB47.1 million due to their non-controlling shareholders, respectively.

In addition, we had RMB20.35 billion of comprehensive bank credit line as at June 30, 2020.

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 June 30, 2020 was 2.0% (December 31, 2019: 1.9%). 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 June 30, 2020, the financial assets, time deposits, bank balances and cash held in RMB, HK\$ and US\$ accounted for 96.7%, 1.8% and 1.5%, 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

We signed a contract in June 2020 to acquire 80% equity interests in Jinsha Fuze Cemetery in Guizhou Province. According to the contract, we shall make total capital injection of RMB49 million in Jinsha Fuze Cemetery by two batches and pay cash consideration of RMB83 million to the independent third party.

Save as disclosed above, there was no other material acquisitions or disposals of subsidiaries and affiliated companies of the Group during the Period.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2020, we had 2,217 full-time employees (December 31, 2019: 2,349 full-time employees). 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. As of June 30, 2020, the trustee of the Restricted Share Incentive Scheme held 34,800,000 Shares and the above restricted shares have not been granted to eligible participants.

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 RMB59.5 million as at June 30, 2020. We also planned to provide approximately RMB115.8 million for the construction of new cemeteries and funeral facilities in Ganzhou City, Linquan City, Qihe County of Shandong Province and Fuyang City.

We expect our capital expenditure in the second half of 2020 and afterwards will maintain at a relatively high level as we are actively seeking industry consolidation and government-enterprise collaboration opportunities and are being approached by many projects.

ASSETS PLEDGED

As at June 30, 2020, we 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 2.29 million sq.m. as at June 30, 2020 (December 31, 2019: approximately 2.30 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 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 2019, with three outstanding lawsuits remaining. There has been no notifiable progress on these three lawsuits during the Period. 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 RMB55 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 June 30, 2020, after taking into account of the legal opinion and the current status of the proceedings and investigation, the Directors were of the view that it was not probable the proceedings would in the end result in a material adverse impact on the financial position and business operation of the Group 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 REPORTING PERIOD

We signed a contract in July 2020 to acquire 100% equity interests in Harbin Mingxiyuan Cemetery Co., Ltd.* (哈爾濱明西園公墓有限責任公司), which is principally engaged in provision of cemetery services in Harbin of Heilongjiang Province, for a consideration of RMB450 million. For further details, please refer to our announcement dated July 31, 2020. As at the date of this interim results announcement, this acquisition has been completed.

Save as disclosed above, there was no other significant event that might affect the Group subsequent to the Period.

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 established strategic objectives, 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 with the internet to improve service contents and accessibility. 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.28 cents per Share for the six months ended June 30, 2020. The interim dividend will be paid to the Shareholders on Wednesday, October 14, 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, September 25, 2020.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to the proposed interim dividend, the transfer books and register of members of the Company will be closed from Wednesday, September 23, 2020 to Friday, September 25, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim 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, September 22, 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 Period.

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

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 throughout the Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee, comprising two independent non-executive Directors, namely, Mr. Ho Man (Chairman of the Audit Committee) and Mr. Luo Zhuping, and one non-executive Director, namely, Mr. Huang James Chih-cheng, has reviewed together with the management of the Company and the external auditor the accounting principles and policies adopted by the Group, interim results, and the Group’s condensed consolidated financial statements for the Period.

PUBLICATION OF INTERIM RESULTS AND 2020 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsygroup.com). The interim report for the six months ended June 30, 2020 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

“Anyang Tianshouyuan Cemetery”	a cemetery in Anyang of Henan Province and operated by Anyang Fu Shou Yuan Civil Service Co., Ltd.* (安陽福壽園民生服務有限公司) (formerly known as 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 HK on October 10, 2011. It is a direct held subsidiary of the Company the Company and its subsidiaries
“Group”, “our Group”, “us” or “we”	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, Xinzheng 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
“Jinsha Fuze Cemetery”	Jinsha Fuze Binzang Co., Ltd.* (金沙縣福澤殯葬有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company

“Jinzhou Maoshan Anling”	a cemetery in Jinzhou City of Liaoning Province and operated by Jinzhou City Maoshan Anling Co., Ltd.* (錦州市帽山安陵有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Listing 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 Humanities Memorial Co., Ltd.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Period”	the six months ended June 30, 2020
“Restricted Share Incentive Scheme”	the restricted share incentive scheme adopted by the company with effect from November 29, 2019
“Restricted Shares”	any Share(s) that may be offered by the Company to any selected participant pursuant to the Restricted Share Incentive Scheme
“RMB”	Renminbi yuan, the lawful currency of the PRC
“same period of last year”	the six months ended June 30, 2019
“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 Temshine Cemetery Group 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 2017
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“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
“Zaozhuang Shanting Xingtai”	Zaozhuang Shanting Xingtai Funeral Service Co., Ltd.* (棗莊市山亭興泰殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2016
“%”	per cent.

* Denotes English translation or transliteration of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

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

Hong Kong, August 21, 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.