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, 2020

2020 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the Year amounted to approximately RMB1,892.5 million, representing an increase of approximately 2.3% compared to that of Last Year.
- Profit and total comprehensive income attributable to owners of the Company for the Year amounted to approximately RMB620.1 million, representing an increase of approximately 7.2% compared to that of Last Year.
- Basic earnings per Share for the Year amounted to approximately RMB27.4 cents, representing an increase of approximately 5.8% compared to that of Last Year.
- The Board has recommended the payment of a final dividend of HK5.53 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, 2020 together with the comparative figures for Last Year as set out below. The consolidated financial 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, 2020

	NOTES	**2020** **RMB'000**	2019 RMB'000
Revenue	4	**1,892,537**	1,850,574
Operating expenditures			
Staff costs		**(385,805)**	(416,125)
Construction costs		**(76,495)**	(72,897)
Consumed materials and goods		**(149,109)**	(141,477)
Outsourced service costs		**(52,906)**	(54,418)
Marketing and sales channel costs		**(36,072)**	(38,671)
Depreciation and amortization		**(136,713)**	(123,170)
Other general operating expenditures		**(133,406)**	(139,039)
Inventory changes		**5,872**	4,564
Profit from operations		**927,903**	869,341
Other income, gains and losses		**61,707**	88,632
Share of profit/(loss) of joint ventures		**4**	(176)
Finance costs		**(9,525)**	(11,128)
Profit before taxation	5	**980,089**	946,669
Income tax expense	6	**(222,784)**	(211,350)
Profit and total comprehensive income for the year		**757,305**	735,319
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**620,064**	578,579
Non-controlling interests		**137,241**	156,740
		757,305	735,319
		RMB cents	RMB cents
Earnings per share			
— Basic	7	**27.4**	25.9
— Diluted	7	**27.3**	25.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	NOTES	**2020** **RMB'000**	2019 *RMB'000*
Non-current assets			
Property and equipment	8	**567,924**	549,072
Right-of-use assets		**126,464**	122,781
Investment property		**6,509**	6,509
Intangible assets		**182,626**	126,140
Goodwill	9	**860,637**	441,581
Financial assets at fair value through profit or loss	15	**38,110**	38,110
Deposits paid for acquisition of land use rights		**89,404**	9,054
Cemetery assets	11	**1,798,059**	1,519,449
Investment in an associate		**750**	750
Investments in joint ventures	10	**50,709**	35,741
Restricted deposits		**61,403**	56,268
Deferred tax assets	20	**57,865**	54,450
Other long-term assets		**5,000**	5,000
		3,845,460	2,964,905
Current assets			
Inventories	12	**502,263**	481,059
Trade and other receivables	13	**113,503**	106,475
Financial assets at fair value through profit or loss	15	**982,927**	417,580
Time deposits	16	**—**	8,459
Bank balances and cash	14	**1,234,022**	2,007,142
		2,832,715	3,020,715
Current liabilities			
Trade and other payables	17	**648,760**	598,306
Lease liabilities		**21,206**	19,630
Contract liabilities	19	**55,876**	47,317
Loans from non-controlling shareholders of subsidiaries		**35,919**	43,938
Income tax liabilities		**160,275**	134,669
Borrowings	18	**13,860**	22,500
		935,896	866,360
Net current assets		**1,896,819**	2,154,355
Total assets less current liabilities		**5,742,279**	5,119,260

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Contract liabilities	19	**377,035**	335,839
Lease liabilities		**51,767**	63,110
Other long-term liabilities		**32,992**	21,345
Loans from non-controlling shareholders of subsidiaries		—	6,000
Borrowings	18	—	13,860
Deferred tax liabilities	20	**138,399**	93,893
		600,193	534,047
Net assets		**5,142,086**	4,585,213
Capital and reserves			
Share capital		**141,510**	137,748
Reserves		**4,426,371**	3,905,322
Equity attributable to owners of the Company		**4,567,881**	4,043,070
Non-controlling interests		**574,205**	542,143
Total equity		**5,142,086**	4,585,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is an exempted company with limited liability incorporated on January 5, 2012 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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business in Hong Kong of the Company is Unit 709, 7/F, K. Wah Centre, 191 Java Road, North Point, Hong Kong. The Group is mainly engaged in the 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 ("**IFRSs**") that are mandatorily effective for the Year.

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 recognised 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 recognised 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:

	2020	2019
	RMB'000	*RMB'000*
Burial services	**1,579,143**	1,551,394
Funeral services	**252,938**	256,928
Other services	**84,072**	53,216
Inter-segments elimination	**(23,616)**	(10,964)
	1,892,537	1,850,574

Geographical information

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

	2020	2019
	RMB'000	*RMB'000*
Shanghai	**860,062**	912,978
Henan	**122,959**	113,678
Chongqing	**76,967**	67,892
Anhui	**177,233**	179,046
Shandong	**94,232**	81,786
Liaoning	**153,949**	181,614
Jiangxi	**93,764**	80,789
Fujian	**37,983**	46,283
Zhejiang	**36,117**	30,476
Jiangsu	**81,212**	64,302
Guangxi	**17,975**	15,664
Inner Mongolia	**15,569**	18,191
Guizhou	**32,234**	15,407
Hubei	**719**	216
Heilongjiang	**30,498**	—
Gansu	**608**	—
	1,832,081	1,808,322

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Staff costs, including Directors' remuneration:		
Salaries, wages, bonus and other benefits	**377,487**	378,422
Contributions to retirement benefits scheme	**6,711**	25,964
Share-based payments expenses	**1,607**	11,739
Total staff costs	**385,805**	416,125
Depreciation of property and equipment	**52,290**	46,157
Amortisation of intangible assets	**7,101**	7,324
Amortisation of cemetery assets	**54,122**	48,120
Amortisation of right-of-use assets	**23,200**	21,569
Auditor's remuneration	**3,500**	3,800

6. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
Current year	**234,313**	227,326
Over provision in prior years	**(3,807)**	(4,669)
Deferred tax	**(7,722)**	(11,307)
	222,784	211,350

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 were 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 small entities were subject to a lower income tax rate of 10% during the Year.

FSY Hong Kong qualifies for the two-tiered profits tax rates regime, under which the first HK$2 million of profits are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. No Hong Kong profit tax has been provided as the Group did not have assessable profit earned in or derived from Hong Kong during the Year.

7. EARNINGS PER SHARE

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

	2020	2019
Earnings		
Earnings for the purposes of basic and diluted earnings per share *(RMB'000)*	**620,064**	578,579
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,263,069,730**	2,235,451,641
Effect of dilutive potential ordinary shares:		
Share options	**11,224,479**	18,994,245
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,274,294,209**	2,254,445,886

8. PROPERTY AND EQUIPMENT

	2020	2019
	RMB'000	*RMB'000*
Buildings	**373,240**	314,531
Leasehold improvements	**14,272**	16,652
Furniture, fixtures and equipment	**51,759**	41,774
Motor vehicles	**11,478**	11,750
Construction in progress	**117,175**	164,365
	567,924	549,072

9. GOODWILL

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

	2020	2019
	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**	13,560
Jinsha Fuze	**66,176**	—
Harbin Mingxiyuan Cemetery	**352,880**	—
	860,637	441,581

10. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures include the contributions of RMB49.9 million to Jiaxing Fuji Equity Investment Partners Corporation (Limited Partnership) (嘉興福冀股權投資合夥企業(有限合夥)), the funeral and cemetery buyout fund, made by the Group as a limited partner, which accounted for approximately 49.89% of the total proportion to the fund.

11. CEMETERY ASSETS

	2020	2019
	RMB'000	*RMB'000*
Land costs	**1,192,277**	1,016,107
Landscape facilities	**236,555**	200,026
Development costs	**369,227**	303,316
	1,798,059	1,519,449

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 costs represent the costs paid for the foundation work and putting the land into the condition ready for development of cemetery business. Amortization for development costs is provided on a straight-line basis over the estimated useful lives (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 inventories.

12. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Burial plots	**354,966**	335,258
Tombstone	**94,694**	93,562
Others	**52,603**	52,239
	502,263	481,059

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**63,265**	56,480
Other receivables comprise:		
Prepayments and rental deposits on properties	**2,369**	1,511
Staff advances	**3,492**	3,091
Entrusted loans *(note)*	**6,950**	8,950
Deposits for new projects	**4,502**	5,539
Prepayments to suppliers	**19,602**	8,751
Interest receivables	**1,772**	10,344
Others	**11,551**	11,809
	113,503	106,475

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:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**54,969**	52,510
More than one year but not exceeding two years	**7,270**	668
More than two years but not exceeding three years	**660**	—
Over three years	**366**	3,302
	63,265	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 are of the view that no allowance is required.

14. BANK BALANCES AND CASH

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

	2020	2019
	RMB'000	*RMB'000*
Interest rate per annum		
— RMB	**0.30%–3.70%**	0.30%–3.70%
— HK$	**0.01%**	0.01%–3.50%
— US$	**0.05%–1.20%**	0.05%

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

	2020	2019
	RMB'000	*RMB'000*
HK$	**113,936**	80,904
US$	**8,572**	34,511
	122,508	115,415

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Unlisted cash management products	**982,927**	417,580
Equity investment	**38,110**	38,110
	1,021,037	455,690

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 as financial assets at fair value through profit or loss ("**FVTPL**") on initial recognition. In the opinion of the Directors, the fair value of the cash management products as at December 31, 2020 was similar to their principal amounts.

Details of the cash management products as at December 31, 2020 are as follows:

Bank	Name of products	Currency	Amount *RMB'000*	Term/call date	Expected yield rate	Principal-guaranteed
Shanghai Pudong Development Bank	Xin Xiang LI (鑫享利系列) *(note)*	RMB	1,300	Redeemable on call after 180 work days on work day	3.60%	N
Shanghai Pudong Development Bank	Zhou Zhou Xiang Ying Zeng Li ("周周享盈增利") No.1 *(note)*	RMB	167,000	7 days cycle	3.07%	N
Shanghai Pudong Development Bank	Yue Yue Xiang Ying Zeng Li ("月月享盈增利") No.1 *(note)*	RMB	51,000	Redeemable on call after 30 work days on work day	3.35%	N
Shanghai Pudong Development Bank	Li Duo Duo E Lu Fa ("利多多E路發") B *(note)*	RMB	109,795	Redeemable on call after 14 work days on work day	1.1%–2.85%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan ("天添利普惠計劃") *(note)*	RMB	26,000	Redeemable on call after 1 work day on work day	2.92%	N
Shanghai Rural Commercial Bank	Yue Yue Xing Li 月月鑫利(雙月) *(note)*	RMB	100,000	25/02/2021	3.41%	N
Industrial Bank	Smart deposit (智能存款) *(note)*	RMB	144,132	Redeemable on call after 1 work day on work day	2.03%	N
China Construction Bank	Qian Yuan-Ri Xing Yue Yi (乾元-日鑫月溢) *(note)*	RMB	80,000	Redeemable on call after 1 work day on work day	2.70%	N
China Construction Bank	Qian Yuan-Ri Ri Zeng Li (乾元-日日增利) *(note)*	RMB	200,000	Redeemable on call after 1 work day on work day	2.90%	N
China Construction Bank	Qian Yuan-Ri Ri Xin (乾元-日日鑫) *(note)*	RMB	2,000	Redeemable on call after 1 work day on work day	3.10%	N
Bank of Shanghai	Yi Jing Ling (易精靈) *(note)*	RMB	50,000	Redeemable on call after 1 work day on work day	3.20%	N
Minsheng Bank	Sui Xiang Cun (随享存) *(note)*	RMB	5,000	7 days cycle	2.03%	N
Shanghai Pudong Development Bank	Cai Fu Ban Che (財富班車進取) No.3 *(note)*	RMB	2,200	Fixed in 90 days	3.50%	N
Shanghai Pudong Development Bank	Cai Fu Ban Che (財富班車進取) No.4 *(note)*	RMB	8,000	Fixed in 180 days	3.50%	N
Shanghai Pudong Development Bank	Yue Ying Li (悦盈利6個月定開T型) *(note)*	RMB	5,500	Fixed in 180 days	3.65%	N
Shanghai Pudong Development Bank	Structured deposit (結構性存款)	RMB	31,000	27/03/2021	1.65%~3.7%	N

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

In July 2018, the Group 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 approximately RMB38.1 million as at December 31, 2020.

16. TIME DEPOSITS

	2020	2019
	RMB'000	*RMB'000*
RMB-denominated	**—**	8,459

As of December 31, 2019, the Group had fixed-time deposits in banks in the PRC with maturities for six months and carried a fixed interest rate of 1.937% per annum.

17. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**245,326**	199,664
Other payables comprise:		
Advances and deposits from customers	**26,958**	12,535
Payables for acquisition of property and equipment	**742**	1,499
Salary, welfare and bonus payables	**139,546**	130,066
Other accrued expenses	**71,516**	53,912
Consideration payables for acquisition of subsidiaries	**102,188**	37,703
Consideration payables for acquisition of non-controlling interests	**7,170**	142,321
Others	**55,314**	20,606
	648,760	598,306

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

	2020	2019
	RMB'000	*RMB'000*
0–90 days	**112,627**	64,239
91–180 days	**14,070**	26,783
181–365 days	**35,633**	33,450
Over 365 days	**82,996**	75,192
	245,326	199,664

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

18. BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank borrowings		
— Secured by the Group's equity interest in subsidiaries	**13,860**	36,360
	13,860	36,360
The carrying amounts of the above borrowings are repayable:		
Within one year	**13,860**	22,500
More than one year but not exceeding two years	**—**	13,860
	13,860	36,360

The bank borrowings carried interest at 4.35% per annum (December 31, 2019: 4.998%).

19. CONTRACT LIABILITIES

	2020	2019
	RMB'000	*RMB'000*
Cemetery maintenance services	**404,595**	362,279
Sales of pre-need contracts	**28,316**	20,877
	432,911	383,156

Cemetery maintenance services

The contract liabilities relate to cemetery maintenance services and 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 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 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.

20. DEFERRED TAXATION

The followings are the deferred tax assets (liabilities) recognised by the Group:

	2020	2019
	RMB'000	*RMB'000*
Timing differences arising from certain accruals and liabilities	**40,355**	35,438
Unused tax losses	**15,465**	16,953
Fair value adjustments	**(136,354)**	(91,834)
	(80,534)	(39,443)

21. DIVIDENDS

During the Year, the Company has declared and paid the final dividend of HK4.21 cents per Share for 2019 and the interim dividend of HK3.28 cents per Share for 2020, amounting to approximately RMB155.5 million in total.

On March 26, 2021, a final dividend for 2020 of HK5.53 cents per Share was recommended 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, 2020 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 December 31, 2020. 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 2020 annual results of the Group.

In 2020, the world experienced unprecedented changes amid rising geopolitical tensions and the outbreak of COVID-19 pandemic, which significantly impacted people's livelihood, substantially slowed down the economic activities and weighed on the growth momentum. With the effective implementation of measures to fight COVID-19, China's economic operation and macroeconomic policies gradually returned to normal with remarkable results in stabilizing employment and protecting people's livelihoods, making China a major economy that recorded positive economic growth despite all the adversities.

In the fight against the pandemic, Fu Shou Yuan adhered to its corporate spirit of "innovation, truth-seeking, peace of mind, and sincerity" and built on its strengths to launch the "Fu Shou Cloud" platform which utilizes big data, delicacy management and cloud computing technologies to provide consumers with more convenient and efficient services. The Group turned the impact from the pandemic into a development opportunity by reflecting on the situation and moving forward with determination and solidarity, thereby supporting everyone through such a challenging and extraordinary year.

In the face of dramatic changes in the social environment, Fu Shou Yuan turned crisis into opportunity by implementing various measures to continuously serve the general public and maintain steady growth in business performance. During the Year, the Group recorded revenue of RMB1,892.5 million, representing an increase of 2.3% compared with 2019. Net profit was RMB757.3 million, representing an increase of 3.0% compared with 2019, of which profit and total comprehensive income attributable to owners was RMB620.1 million, representing an increase of 7.2% compared with 2019. The Board proposes a final dividend of HK5.53 cents per Share for 2020 to the Shareholders. Together with the interim dividend of HK3.28 cents per Share distributed during the Year, the total dividend for the full year of 2020 is HK8.81 cents per Share, which is in line with the Group's committed dividend policy to reward investors for their trust and support.

The traditional funeral rituals are embedded with the Confucian virtue of "filial piety", which is an important foundation for the existence and development of the death care service industry. Under the influence of the "filial piety" culture and with the prosperous and growing economy and society and the rapidly aging population, the growth potential of death care service industry has been increasing sharply, implying vast opportunities for the country to comfortably grow into a globally leading death care service market where the Group is well established.

Since its establishment, the Group has been committed to creating a new culture in China's modern death care service industry and promoting the development of the industry, and also actively seeks breakthroughs in terms of concept, products, services, culture, art and technology. During the Year, by adhering to the idea of "running a good enterprise and changing the entire industry", the Group continued to develop its core business and expand its scope of services. At present, the Group has established its presence across burial services, funeral services, equipment and supplies, landscape design, pre-need services, "Death Care + Internet" and life education. The Group's business has been expanded to more than 40 cities in 18 provinces, autonomous regions and municipalities in China including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Hubei, Gansu and Heilongjiang.

During the Year, to prevent and control the pandemic and meet people's demand for remote tomb-sweeping, the Group launched the "Fu Shou Cloud" platform and "Online Tomb-Sweeping" and "Online Worship" services. By integrating different services through internet technology, the Group recreated the worshipping and tomb-sweeping scenes and services on the "cloud", which connected the online space and the offline environment and services, thereby breaking the time boundary and geographical restrictions, so that our customers can be on the scene without leaving home to pay their tributes to the loved ones amid the pandemic. In addition, by optimizing and improving the traditional rituals, social management problems caused by huge crowds gathering at cemeteries can be avoided. Customers can submit requests for tomb-sweeping online, forward the worship applications and make self-service online arrangement to participate in online tomb-sweeping and worship activities in real time and express their thoughts and remembrance of their loved ones in a better way. In the future, the Group will gradually establish a digital family service system for its customers, thereby leading the innovative development of the industry.

The Group has been committed to fulfilling the demand for a better life of "making people pass away respectfully with relief and dignity", and strives to facilitate the development of integrated funeral and burial service and government-enterprise collaboration projects. In January 2020, the Group entered into the contract for the funeral service project in Changfeng County, Hefei, which is another government-enterprise collaboration funeral project of the Group in Anhui Province following the Hefei Funeral Parlor, Xuancheng Mashan Funeral Parlor, Lujiang Funeral Parlor, Huaibei Funeral Parlor and Shucheng County Funeral Parlor. In June, the Group entered into the contract for the Fuze Funeral and Burial project (福澤殯葬項目) located in Jinsha County, which is another integrated funeral and burial service project of the Group following the Tianyuanshan project in Guizhou Province. It will further enhance the Group's comprehensive service capability in said province. In September 2020, the Group entered into the contract for the funeral service project in Ruichang, Jiangxi Province. Pursuant to the contract, Fu Shou Yuan will provide livelihood services to the public in Ruichang with new funeral concept, advance management model and high-quality service standards and facilitate the reform of funeral industry in Ruichang with new momentum. In December 2020, the Group entered into a contract with the Civil Affairs Bureau and the Municipal Funeral Service Center of Chaohu City, Anhui Province for the Chaohu Funeral Parlor Selective Service Project. Leveraging the extensive management experience and business philosophy of Fu Shou Yuan, both parties will fully utilize their respective advantages based on integration of resources and cooperation for mutual benefits.

Fu Shou Yuan continues to innovate its services, improve the utilization of resources and enhance the level and standard of strategic cooperation. During the Year, the Group reached strategic cooperation with Aeon Life Insurance Company, Ltd. to launch the "Green Life Service", forming a strategic layout of "dual drivers" of insurance products and death care services. The Group launched the "Fu Shou Life" Group Life Insurance, an insurance-based pre-need contract, with the aim of providing extensive, transparent, standardized and quality one-stop pre-need and funeral services to various consumers, which is an important initiative of cross-sector innovation in the insurance and death care service industries. In addition, the Group has been vigorously expanding its pre-need contract services in recent years, which are being recognized, supported and increasingly sought after by governments of various levels and elderly service centres, and have become the important strategic pivots of the Group. Pre-need services can secure customers in advance and bring about a stable source of customers to funeral and burial segments.

The Group actively expands its business presence and improves its strategic layout. In July 2020, the Group entered into a contract 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). The acquisition has been completed and as the Group's first step of expansion in Heilongjiang Province, such contracted project enables the Group to establish a strong position in terms of market services with extensive geographical advantage in Northeastern China, allowing the Group to accelerate its plan to deepen its presence in major provinces and province capitals, which will in turn create synergy effect and radiation of services. In October 2020, Fu Shou Yuan reached a strategic cooperation to fully participate in the reform and construction of funeral industry in Guangxi Province. The Group and China Zhongfu Industrial Group Limited* (中國中福實業集團有限公司) intend to make investment of approximately RMB10 billion to build a number of funeral service facilities in various locations in Guangxi and create a high-standard and high-quality humanist memorial park to facilitate environmental protection and urban construction and meet the growing demand for multi-level and diversified services.

During the Year, the Group increased its efforts in improving its industrial chain services and expanding its regional presence, and successfully reached strategic cooperation with banking institutions, which provided solid financial support and extensive development space for the Group to enhance the quality of life services, expand its service scope, extend its industrial chain and consolidate its advantageous resources. In April 2020, 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 and will support Fu Shou Yuan in respect of fund settlement, credit line, investment and mergers and acquisitions. In June 2020, 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 always been dedicated to providing livelihood services and helping the impoverished and underprivileged. As a leading service provider in China's death care industry, Fu Shou Yuan has been continuously providing quality livelihood services over the past 26 years and makes positive contributions to social welfare and charity, covering various fields such as poverty relief, mental support, education sponsorship, life education and environmental protection, and benefiting over 10 million people in more than 40 cities in 18 provinces (regions and municipalities) across the country. In March 2020, in view of the demand for community psychological assistance during and after the pandemic, the Group initiated a charity plan for the distribution of "Fuyuan Safety Protection Package" to pool the resources of professional psychological assistance and volunteers to provide voluntary caring services about spiritual comfort, sadness counselling and pre-need planning to the elderly in difficulty. In September 2020, Fu Shou Yuan Public Welfare Foundation participated in the Shanghai Public Welfare Partnership Day for the first time and introduced its "Warm Winter Park" welfare burial project for the deceased elderly living alone or widowed and extremely poor families as well as the "Pre-Planning Consultancy" public welfare contract security services to meet the demands of the elderly in the community, who is living alone, or loses his or her only child, or is exceptionally impoverished, by providing high-quality charitable palliative care and death care services, thereby establishing a livelihood security system for pre-planning, charitable palliative care and death care services and effectively responding to the palliative care problems of the people in difficulties. In the same month, the Group joined hands with the Shanghai Anhui Economic and Cultural Association* (上海安徽經濟文化促進會) to carry out education sponsorship activity in Huoqiu County, Liu'an City, Anhui Province with focus on facility construction and development of the schools affected by the flood.

Over the years, the Group has devoted itself to various social welfare projects and actively fulfilled its social responsibility, and its efforts and contribution have been affirmed and recognized by all sectors of society and the industry, winning numerous awards. In April 2020, at the 11th China Talent Development Awards, the Group's "Mainboard Talent Training Program — Manager Training Camp" won the award of "Best Training Program". In May 2020, Shanghai Fu Shou Yuan won the "2019 Outstanding Contribution Award of Shanghai Services Federation". 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 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)". In August 2020, the Group was awarded as the "2020 Most Innovative Enterprise" by the China Finance Summit. In September 2020, Mr. Wang Jisheng, the Vice President of China Funeral Association and the Executive Director and President of Fu Shou Yuan International Group, was appointed as a funeral management expert of the first session of the Expert Panel of Social Affairs under the Ministry of Civil Affairs of the PRC. In November 2020, Ms. Yi Hua, the Director of the Experts Committee of China Funeral Association and Chief Brand Officer of Fu Shou Yuan International Group, was awarded the title of "2019 National March 8th Red Flag Bearer". In December 2020, the Fu Shou Cloud technology won the award of "Innovation Promoter of the Year" at the 2020 International Sci-Tech Innovation Festival.

In the past year, Fu Shou Yuan fought through adversities together with the general public and forged ahead under the philosophy of honoring life, respecting life and caring for life. Looking forward, through continuous service innovation and by upholding the principle of "human oriented and culture rooted", and the Group will strive to provide high-quality life services to help people pursue a better future, and devote unremitting efforts in building a closer community of life 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 calls for increases in not only the quantity, but also the quality, variety and diversity of the death care services. All these drivers make the death care service industry in the PRC less susceptible to the economic cycle and is one of the industries with steady growth rate, and its future growth will accelerate.

In 2020, the death care industry in the PRC was actively creating new ways of industry governance and humanities memorials suitable for the pandemic period, death care industry reforms continue to make progress, promoting a sound basic death care public service system, and actively responding to the call for public welfare, green ecology, and changing customs. In order to quickly implement the prevention and control requirements in relation to the pandemic, the Ministry of Civil Affairs issued a series of emergency notices such as "Guidelines for the Disposal of Bodies of COVID-19 Patients (Trial)" (《新型冠狀病毒感染的肺炎患者遺體處置工作指引 (試行)》), while China Funeral Association also issued notices including "Several Opinions on Proper Disposal of Bodies of Patients with COVID-19 Infection and Prevention and Control of the Epidemic" (《關於妥善做好新型冠狀病毒感染肺炎患者遺體處置及疫情防控工作的幾點意見》), and "Notice on the Issuance of the Opinions on Enhancing the Safety and Protection of Member Units and the Orderly Launch of Services during the Epidemic" (《關於印發《關於加強會員單位疫情期間安全防護及有序開展服務工作的意見》的通知》), requiring death care service institutions in the PRC to further strengthen the prevention and control measures and service protection work. At the same time, during the COVID-19 outbreak, the focus was on building a solid foundation and innovating ways to reasonably expand the scope of services. On April 4, the Qingming Festival, a nationwide mourning event was held in the name of the nation to mourn the martyrs and deceased compatriots due to COVID-19, fully demonstrating the noble concept of "people first, life first".

Meanwhile, the reform of management and service is also steadily advancing. While facilitating the participation of social capital, 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. 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》) published in 2019 in volume 12 of the "Social Governance Review", a journal edited by Beijing Normal University, has received extensive attention. The article guaranteed favorable opportunities to the death care service 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 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. The National Civil Affairs Work Video Conference held in December 2020 put forward the requirements for 2021 to improve the basic death care service system and overcome the shortcomings of the facilities. 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.

The Regulations on Funeral Management (Revised) (《殯葬管理條例 (修訂)》) is listed in the 2020 Legislative Work Plan of Chinese Ministry of Civil Affairs (《民政部2020年立法工作計劃》) as continuing to cooperate with the Ministry of Justice for review. 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 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.

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. During the COVID-19 outbreak, the China Funeral Association called for and advocated the public to adopt technological means, such as online sacrifices, online reservations, and valet ceremony. The Group also vigorously promoted the construction of informatization and continued to launch a well-functioned and new integrated "Death Care Services+ Internet" online system namely "Fu Shou Cloud", internally improving the synergy of all levels and units inside the Group and externally establishing and consolidating 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 included the subject of "Burial Service and Cemetery Management" in the catalogue of "General College and Higher Vocational Education Specialties" for the first time, stressing the delicacy and diversified cultivation of funeral talents. The Group will also include education and training as a pioneering, fundamental and strategic project for the healthy and sustainable development of the Group, and will further cooperate with domestic and foreign funeral colleges and universities in depth. The Group will also double its efforts to cultivate a team of modern enterprise management-oriented and humanity skill service-oriented talents to form a reasonable talent echelon, so as to consolidate the existing development achievements and provide intellectual support for the long-term sustainable and healthy development of the Group.

BUSINESS COMMENTARY

During the Year, 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, funeral facilities and cultural setting of existing cemeteries, improve service quality, and offer innovative, diversified and different services and products, continue to make structural adjustments to our business structure, products and services, and sales channels, and continue to optimize the allocation of resources.

Striving to transform cemeteries into urban cultural parks, on one hand, we continued to optimize our product structure, increasing the proportion of land-saving products and artistic cemeteries while lowering that of traditional cemeteries so as to improve the effectiveness of land utilization. On the other hand, we continued to innovate and increase the application of new materials, new technologies and new techniques to our products. While creating and enhancing the environment of the park, we continue to seamlessly implant ecological concepts, embed humanity elements and create a historical atmosphere, injecting more vitality and inspiration into the traditional cemetery, presenting beauty with the environment, glory with culture and harmony with ecology. The beautiful cemeteries meticulously constructed by us and the customized services that we strive to provide continued to gain widespread recognition from our customers. In relation to the funeral services business, we have increased innovation, introduced and deepened the provision of different kinds of products and services such as body SPA, mid-range and high-end paper coffins and cosmetic services to meet the differentiated and diversified needs of different customer groups. This has enhanced customer consumption experience and opened up new profit growth points for the traditional funeral business.

During the Year, in the context of the accelerated internetization of the death care service industry due to the COVID-19 outbreak, the Group accelerated the launch of the "Fu Shou Cloud" series of cloud products and services and optimized the construction of the Group's information system. In terms of cloud products and services, firstly, we are expanding new Internet marketing models, creating diversified customer acquisition paths such as data management platform, website search engine optimization and search engine marketing, and new media operation to cover individual customers; we plan to target potential users with cloud family products and extend services. Secondly, we are also focusing on the accelerated application and upgrade of cloud services. During the Qingming holiday, online tomb-sweeping and cloud streaming were widely utilized, while cloud exhibitions provided services during the 2020 Cemetery Work Exchange Meeting held by China Funeral Association. The "Fu Shou Cloud Memorial Platform", which integrates the cloud photo album and online obituaries, is also under active construction, and will be further explored in the future to develop a series of services that can serve both business customers and individual customers in a comprehensive manner, such as cloud blessing and cloud family. In the construction of the Group-wide information system, the Group has constructed a management framework based on "areas, business segments and functions", built a unified control framework based on process management, built and launched a mobile processing project for cemetery business and funeral business. Through digitized internet technology, we empowered management and business, improved operational efficiency and control, stimulated business operation and service capability, and built a healthy and dynamic organization that can gather strength and respond quickly.

As an important strategic pivot of the Group, our provision of pre-need services enabled the Group to secure customers in advance and to bring about a stable source of customers to our funeral and burial segments. It is proven that under the backdrop of aging population with fewer births, 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 local governments of various levels and elderly service centres. Although the promotion of the pre-need services to customers was slightly affected by the COVID-19 outbreak, 5,906 contracts were signed for the Year, representing an increase of 21.2% over the previous year (Last year: 4,873 contracts), with a contract value of approximately RMB21 million. Meanwhile, the Group was able to supply pre-need services in 21 cities from 10 different provinces (the previous year: 18 cities), and we won over 40 batches of collective procurement by government institutions at all levels as well as social organizations. We will actively explore more social value and business value of pre-need services. From sales channel aspect, we also worked with endowment, insurance and trust institutions and designed a set of promotion routine and dialogue context which is practical for communicating with customers about pre-need services under non-funeral scenes. We will design and develop innovative products that meet diversified customer needs and one-stop services to achieve a new high in the strategic development of pre-need services.

The Group's environmentally-friendly cremation machine business integrates R&D, design, in-house production, comprehensive support and after-sales service to produce smart and environmentally-friendly cremation equipment and exhaust gas purification treatment systems. During the Year, we focused on the innovation of environmentally-friendly products, enhancing and enriching the product quality and functions of our "Jiesheng" environmentally-friendly cremation equipment and exhaust gas purification system through technology R&D and upgrade, leading the industry with high-quality products. On the other hand, we worked hard to expand the market, using advanced and environmentally-friendly products to change the relatively backward and environmentally unfriendly status of the funeral equipment industry. During the Year, the Group sold and installed 19 sets of smart and environmentally-friendly cremation machines (within the Group: 11 sets, outside the Group: 8 sets) and achieved operating revenue of RMB50.1 million for the Year. The cremation machines installed and in operation are all operating smoothly with exhaust gases complying with environmental standards. Currently, the cremation machines contracted but not yet delivered amount to 14 sets. In 2021, the Group will deepen our presence in key target markets by increasing investment in the sales and system optimization of environmentally friendly cremation machines, so as to consistently refine our products and promote market competitiveness. We expect that the smart and environmentally friendly cremation machine business will bring about considerable contribution to the Group's revenue in the future.

In order to further expand our cemetery and funeral business, the Group vigorously pursued brand new projects and acquired mature ones during the Year, continuing to penetrate the market and deepen our presence. In the cemetery segment, in August 2020, we completed the acquisition of the entire equity interest in Harbin Mingxiyuan Cemetery Co., Ltd.* (哈爾濱明西園公墓有限責任公司) and were able to, for the first time, establish our foothold in Heilongjiang Province. Being another project located at a prime location in Northeast China, it marked a milestone in the Group's expansion plan into major provinces and provincial capitals. In November 2020, we completed the acquisition of 95% equity interest in Hailin Jinggang Industrial Co., Ltd.* (甘肅海林幜港實業有限公司) located in Lanzhou City of Gansu Province, marking the official expansion of our business into Gansu Province. In the same month, we entered into a cooperation framework agreement with the Civil Affairs Bureau of Guangxi Zhuang Autonomous Region in respect of the project of "Memorial Park of Life and Heritage (生命人文紀念園), comprehensively assisting the funeral reform, facility construction and service quality improvement in Guangxi. The project will be full steam ahead in the coming years with concrete implementation plan and be completed step by step. As of December 31, 2020, the Group has 30 cemeteries in operation (including 2 under custody operation) and 3 cemeteries under preparation or construction. As for the funeral segment, in June 2020, we completed the acquisition of 80% equity interest in Jinsha Fuze (金沙縣福澤殯葬有限責任公司) located in Jinsha County of Guizhou Province, which is the Group's latest integrated cemetery project in addition to the Tianyuanshan Project in the said province. The project is currently under partial renovation and operation following our new direction. In September 2020, we entered into a contract with the Civil Affairs Bureau of Ruichang City, Jiangxi Province in respect of a selective funeral parlor service project. In November 2020, Binzhou Fu Shou Yuan Industrial Co., Ltd.* (濱州福壽園實業有限公司) was established as a wholly-owned subsidiary to organise the construction of said integrated cemetery project in Binzhou in collaboration with the Binzhou Municipal Government. In December 2020, we entered into a contract with the Civil Affairs Bureau and the Municipal Funeral Service Center of Chaohu City, Anhui Province in respect of a selective funeral parlor service project. As of December 31, 2020, the Group has 28 funeral facilities in operation and 4 funeral parlors under construction. In addition, during the Year, we were once again awarded the tender for the socialized civil funeral service project in Binjiang District, Hangzhou City, as well as the three custody projects of charity columbarium in Jiangbei District, Nanjing City. These new government-enterprise cooperation projects will further improve the synergy with other local service projects and enhance our comprehensive service capability. To date, our footprint covers 45 cities in 18 provinces, autonomous regions and municipalities in the PRC, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu and Hubei. At the same time, we have enhanced the post-investment management of our projects and set up a special team to conduct comprehensive evaluations on the newly acquired or custody projects, based on the criteria of "idea oriented", "standards oriented" and "management oriented" as well as the expected outcome of the projects, allowing the new investment projects to achieve the investment plan, cultural implantation and control expectations promptly. Through these measures, the Group is able to accelerate the optimization and upgrade of its burial and funeral facilities as well as to explore innovative products and services, thus contributing to its overall development.

During the Year, we have kept up our efforts to enhance team building, improve operation structure, promote standardized procedures and strengthen system construction. We continued to constantly intensify comprehensive budget management and internal control to promote financial structure optimization.

Employees are our most valuable resource. Adhering to Fu Shou Yuan'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. The Life-Service Academy of the Group is positioned itself as "the planner of talent cultivation, the promoter of innovation management, the disseminator of enterprise culture, and the manager of industry knowledge" in a bid to realize "strategic support, cultural inheritance, potential development, talent cultivation, resource integration and innovation development", through which it can gain a foothold in the market, build the brand, lead the industry, serve the community, and achieve its personal goal of "significant improvement of integrated capability and scientific career planning", which may form a new pattern of education and training with the characteristics of Fu Shou Yuan. We operate as a service-oriented entity and provide precise training for all of our staff, with a focus on the new requirements of the Group's development for talent cultivation. Our priority is to cultivate high-level talents and skilled personnel by providing rotational training to our cadres and employees in the forms of study classes, training classes and seminars, thoroughly promoting education and training, and developing a new layout for talent cultivation. This can ensure the availability of talents and intellectual support for the development of our Group, accelerate talent cultivation and build a first-class team to enhance the Group's core competitiveness and social sustainability. Meanwhile, the Life-Service Academy of the Group conducts research on industrial development to provide solutions and decision support for new conditions and challenges that arise in the development of the Group.

During the Year, the cultural and spiritual core of Fu Shou Yuan persisted in our operation. We continued to integrate the resources of the Group, the industry and various parties, coordinated relevant policy research, information dissemination, mechanism construction and subject surveys, and enhanced the soft power internally and optimized the soft environment externally in terms of the deepening of life education, the integration of public welfare and cultural undertakings, and the integration of government media public relations. We comprehensively rationalized the cultural connotation of our brand and remained robust during the dreary pandemic times. Themes such as online tomb-sweeping and spiritual vaccine became the mainstream of domestic and international media communications, with approximately twenty four thousand news articles and approximately twelve thousand new media communications, a surge of 25% and 150% year-on-year, respectively. In the face of the COVID-19 outbreak, Shanghai Fu Shou Yuan Public Welfare Foundation made every endeavour on target poverty alleviation and pandemic control and prevention, and participated in the Shanghai Charity Partners' Day for the first time, which received much attention and praise from the public. Fu Shou Yuan was awarded one of the Top 10 Charity Projects of the Year in the China Charity Ranking for its "Non-profit Public Awareness Program of Life Education (Thanatological Education)". In addition, a total of 13 employees from different regions of the Group were selected to represent their respective provinces (Autonomous Administrative Region and Municipality) to participate in the Cemetery Administrator Career Competition at the 10th National Civil Affairs Professional Skill Competition. They won two first prizes, four second prizes and four third prizes in total, of which one of the Group's employees was awarded the first place in the total score and recognized as one of the "National Technical Experts". The achievement of these honors fully demonstrates the comprehensive service capability of Fu Shou Yuan.

In view of the above, despite the impacts of the COVID-19 outbreak in the Year, we managed to achieve a satisfactory growth during the Year with the efforts made by all of us in the Group. The total revenue of the Group amounted to RMB1,892.5 million, representing an increase of approximately 2.3% as compared to that of Last Year. Profit and comprehensive income attributable to the owners of the Company amounted to an aggregate of RMB620.1 million, representing an increase of approximately 7.2% as compared to that of Last Year.

REVENUE

During the Year, our revenue increased by approximately RMB42.0 million or 2.3% to RMB1,892.5 million from RMB1,850.6 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:

	2020		2019	
	Revenue		Revenue	
	(RMB'000)	*%*	*(RMB'000)*	*%*
Burial services	**1,579,143**	**83.4%**	1,551,394	83.8%
Funeral services	**252,938**	**13.4%**	256,928	13.9%
Other services	**84,072**	**4.4%**	53,216	2.9%
Inter-segment elimination	**(23,616)**	**(1.2%)**	(10,964)	(0.6%)
Total	**1,892,537**	**100.0%**	1,850,574	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:

	2020		2019	
	No. of burial plots	**Revenue** ***(RMB'000)***	No. of burial plots	Revenue *(RMB'000)*
Sale of burial plot services				
Ordinary business plots	**13,083**	**1,408,456**	13,539	1,388,438
Public welfare plots and tomb relocation	**1,310**	**23,281**	7,146	31,421
	14,393	**1,431,737**	20,685	1,419,859
Other burial services		**147,406**		131,535
Total revenue from burial services	**14,393**	**1,579,143**	20,685	1,551,394

During the Year, revenue from sale of burial plots services for ordinary business purpose increased by approximately RMB20.0 million or 1.4% as compared to Last Year, in which sales volume decreased by 456 or approximately 3.4%, while ASP increased by approximately 5%. 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:

	2020		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*	**12,074**	**1,358,967**	13,526	1,388,242
Cemeteries related to acquisitions/new construction	**1,009**	**49,489**	13	196
Total revenue from sale of burial plots services for ordinary business purpose	**13,083**	**1,408,456**	13,539	1,388,438

* Comparable cemeteries refer to those cemeteries which were in operation for the entire period from January 1, 2019 to December 31, 2020.

During the Year, revenue from ordinary business burial plots of comparable cemeteries decreased by approximately RMB29.3 million, or 2.1%, as compared to that of Last Year, in which sales volume decreased by 1,452 or approximately 10.7%, while ASP increased by approximately 9.7%. Such movement was mainly attributable to the deferred demands for burial plots purchases as affected by the COVID-19, while we kept on improving our old cemeteries (i.e. comparable cemeteries), enriching service mix and optimizing its cultural content, and enhancing our service value. The ASP of comparable cemeteries saw an increase.

During the Year, revenue from burial plots sold for ordinary business purpose in the new cemeteries amounted to approximately RMB49.5 million, while the ASP was lower than that of comparable cemeteries. This was mainly attributable to different geographical locations and market environments of new cemeteries and the fact that those new cemeteries need time to improve their ecological landscape, enhance the services, strengthen their team and upgrade the operation gradually, in order to provide high quality services to their customers, thereby increasing 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 and historical 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:

	2020		2019	
	No. of customers	**Revenue** *(RMB'000)*	No. of customers	Revenue *(RMB'000)*
Funeral services, from:				
Comparable facilities*	**37,685**	**228,506**	41,108	254,570
Facilities related to new acquisitions or new construction	**9,706**	**24,432**	650	2,358
Total revenue from funeral services	**47,391**	**252,938**	41,758	256,928

* Comparable facilities refer to those funeral facilities which were in operation for the entire period from January 1, 2019 to December 31, 2020.

During the Year, our revenue from funeral services decreased by approximately RMB4.0 million or 1.6%. The proportion of revenue from funeral services to the total revenue in the Year was generally in line with Last Year. During the Year, the revenue from funeral services provided by comparable funeral facilities decreased by approximately 10.2% compared that of Last Year. Due to the impacts of the COVID-19 outbreak, there had been a phased suspension of group gathering activities such as vigil and farewell in some regions, resulting in a year-on-year decrease in service volume in the first half of the Year, in tandem with a decrease in value-added service items and the ASP. The ASP of these new funeral facilities was lower than that of the comparable funeral facilities since they had different geographical locations and market environments and 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 16 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:

	2020 Revenue *(RMB'000)*	*%*	2019 Revenue *(RMB'000)*	*%*
Shanghai	**860,062**	**46.9%**	912,978	50.5%
Henan	**122,959**	**6.7%**	113,678	6.3%
Chongqing	**76,967**	**4.2%**	67,892	3.7%
Anhui	**177,233**	**9.7%**	179,046	9.9%
Shandong	**94,232**	**5.1%**	81,786	4.5%
Liaoning	**153,949**	**8.4%**	181,614	10.0%
Jiangxi	**93,764**	**5.1%**	80,789	4.5%
Fujian	**37,983**	**2.1%**	46,283	2.6%
Zhejiang	**36,117**	**2.0%**	30,476	1.7%
Jiangsu	**81,212**	**4.4%**	64,302	3.6%
Guangxi	**17,975**	**1.0%**	15,664	0.9%
Inner Mongolia	**15,569**	**0.9%**	18,191	1.0%
Guizhou	**32,234**	**1.8%**	15,407	0.8%
Hubei	**719**	**0.0%**	216	0.0%
Heilongjiang	**30,498**	**1.7%**	—	—%
Gansu	**608**	**0.0%**	—	—%
Total	**1,832,081**	**100.0%**	1,808,322	100.0%

During the COVID-19 outbreak in the Year, due to less gathering of crowds, full-fledged cemeteries and funeral value-added services could not be offered in some regions, resulting in a year-on-year decrease in revenue. Following the alleviation of the COVID-19 outbreak, the deferred consumer demands in the cemetery market experienced a significant clawback. At the same time, with the continuous integration of the philosophies, culture and brands of Fu Shou Yuan, the value of services provided by our cemeteries and funeral facilities has been enhanced. Even under the impacts of the epidemic, revenue in some regions still managed to rise year-on-year.

Other Services

Revenue from other services for the Year mainly represented the revenue of approximately RMB34.0 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, and revenue from the sale of cremation machines and other related services of approximately RMB50.1 million.

OPERATING EXPENDITURE

The Group's operating expenditure, which accounted for approximately 51.0% of our total revenue for the Year (Last Year: 53.0%), decreased by approximately RMB16.6 million or 1.7%. The decrease in operating expenditure is mainly attributable to adjustments to business structure, effective cost control under the management for cost reduction and efficiency enhancement and various concessionary policies benefitting the Group during the COVID-19 outbreak.

The staff costs include staff salaries, bonuses, benefits and amortization of share option costs. During the Year, the staff costs decreased by approximately RMB30.3 million or 7.3%. The decrease was mainly attributable to the combined effect of various social insurance 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 Year, the product construction costs increased by approximately RMB3.6 million or 4.9%, 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 costs 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 RMB7.6 million or 5.4%, which is mainly due to the related business growth during the Year.

Outsourced service costs mainly represent the costs incurred when part of the daily maintenance and basic services are provided by external suppliers. During the Year, outsourced service costs decreased by approximately RMB1.5 million or 2.8% compared to Last Year, mainly benefitted 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 approximately RMB2.6 million or 6.7%. Such decrease was mainly attributable to the optimization of our sales channel in certain regions, enhancement of our direct sales team to ensure that our services are systematic and of high quality, and commission policy adjustment to gradually reduce the reliance on external sales agents.

Depreciation and amortisation increased by approximately RMB13.5 million or 11.0%, which is mainly due to the commencement of operation of certain new cemeteries and funeral facilities starting from Last Year.

Other general operating expenditures decreased by approximately RMB5.6 million or 4.1%. Despite the expanded scale of operations and operation of new burial and funeral facilities, effective cost control has resulted in decline in general operating expenditures.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, during the Year, our operating profit increased by approximately RMB58.6 million or 6.7% compared to Last Year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Year:

	2020		2019	
	Operating Profit ***(RMB'000)***	**Operating Profit Margin**	Operating Profit *(RMB'000)*	Operating Profit Margin
Burial services	**901,055**	**57.1%**	843,543	54.4%
Funeral services	**28,006**	**11.1%**	26,241	10.2%
Other services	**3,321**	**4.0%**	1,794	3.4%
Inter-segment elimination	**(4,479)**	**19.0%**	(2,237)	20.4%
Total	**927,903**	**49.0%**	869,341	47.0%

During the Year, the operating profit margin of burial services increased to 57.1% from 54.4% for Last Year, mainly attributable to effective cost control for burial services. The operating profit margin of funeral services increased to 11.1% from 10.2% for Last Year, mainly attributable to benefits incurred by the commissioning of new funeral facilities, of which the construction was completed in 2019, during the Year. Also, with the optimization of financial resources across the Group, various funeral costs had been under effective control.

During the Year, other services segment recorded an operating profit of approximately RMB3.3 million, in particular, the subsidiary offering professional design maintained stable revenue. The cremation machine business recorded a larger revenue during the Year, however, since the online death care business is still in the commissioning stage, there was a generally low profit distribution. Having said that, we are highly optimistic about the prospects of the online death care business given the requirements for developing digital cemeteries currently implemented by the government.

FINANCE COSTS

Finance costs for the Year consisted of interest expenses of RMB2.6 million on bank loans (Last Year: RMB4.8 million), interest expenses of RMB2.8 million (Last Year: RMB3.0 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities calculated based on lease standards of RMB4.1 million (Last Year: RMB3.2 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' loans 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 and gain from changes in fair value of unlisted cash management products for the Year was RMB52.4 million, decreased by RMB5.6 million compared to that of Last Year resulting from the decline in the rate of return on funds in the RMB market and the balance of funds for the Year. Meanwhile, gain from change in fair value of the equity investment decreased by RMB8.3 million compared to that of Last Year. Government subsidies for the Year were approximately RMB19.7 million. During the Year, the Group donated approximately RMB1.7 million to Shanghai Fu Shou Yuan Public Welfare Foundation, representing an increase of approximately RMB1.6 million as compared to Last 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 22.7% (Last Year: 22.3%). The difference between the standard tax rate of 25% and the effective tax rate of 22.7% 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 approximately RMB222.8 million, representing an increase of approximately RMB11.4 million or 5.4% compared to Last Year, mainly as a result of the increase in profit before tax due to growth of business.

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 approximately RMB620.1 million, increased by approximately RMB41.5 million, or 7.2% compared to Last Year. This increase was primarily due to: (i) the overall growth of our revenue by 2.3%; 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:

	2020	2019
	(RMB'000)	*(RMB'000)*
Net cash generated from (used in)		
— operating activities	**904,953***	791,820*
— investing activities	**(1,191,690)***	(97,104)*
— financing activities	**(486,383)**	(181,225)
Total	**(773,120)**	(513,491)

* A classification made by the management of the Group in this table 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 audited financial statements amounted to approximately RMB822.3 million (Last Year: RMB707.1 million) and the net cash used in investing activities as disclosed in the audited financial statements amounted to approximately RMB1,109.1 million (Last Year: RMB12.4 million). During the Year, an amount of approximately RMB82.6 million (Last Year: RMB84.7 million) related to the payment for cemetery land acquisition and was here classified under the cash used in investing activities, instead of cash used in operating activities.

Our cash generated from operating activities is 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. During the Year, our net cash generated from operating activities amounted to RMB905.0 million, representing an increase of approximately RMB113.1 million or 14.3% as compared to Last Year, maintaining our competitiveness as always in generating cash from our operating activities.

During the Year, our net cash used in investing activities amounted to RMB1,191.7 million. It was primarily due to: (i) payment of approximately RMB511.1 million to acquire subsidiaries, operation rights of cemetery and funeral home and other investments; (ii) payment of approximately RMB82.6 million to acquire land use rights, including a piece of land for cemetery development purpose located in Jinzhou City of Liaoning Province and a piece of land for cemetery development purpose located in Fangchenggang City of Guangxi Autonomous Region; 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 approximately RM106.4 million; (iv) net purchase of time deposits and other financial assets of approximately RMB556.9 million, partly offset by interests and gains from unlisted cash management products received of approximately RMB61.0 million.

During the Year, our net cash used in financing activities amounted to RMB486.4 million. It was primarily due to: (i) final dividends for 2019 and interim dividends for 2020 paid to shareholders of the Company of approximately RMB155.5 million in aggregate; (ii) dividends paid by subsidiaries to their non-controlling shareholders of approximately RMB139.4 million; (iii) interest payment of approximately RMB7.0 million for our borrowings; (iv) repayment of loans to non-controlling shareholders and third parties of approximately RMB68.4 million and a net reduction in bank loans of approximately RMB42.5 million; (v) payment of approximately RMB135.2 million for acquisition of equity interests 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 approximately RMB187.7 million after taking into account of the dividend received; and (vii) settlement of payment for lease liability of approximately RMB22.1 million. These cash outflows were partially offset by: (i) the proceeds of approximately RMB246.3 million received upon exercise of share options; and (ii) the capital and loan contribution of approximately RMB25.3 million in aggregate from the non-controlling shareholders of certain of our non-wholly owned subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2020, the Group had bank balances and cash of approximately RMB1,234.0 million (December 31, 2019: RMB2,007.1 million), time deposits of RMB Nil (December 31, 2019: RMB8.5 million) and financial assets of approximately RMB982.9 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 Group at its discretion. Such assets are highly dispersed and are managed by certain state-owned banks, with expected annualized return rates ranging from 1.1% to 3.7%. 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 approximately RMB13.9 million as at December 31, 2020, which are repayable within one year. These borrowings were dominated in RMB and were subject to floating interest rates per annum. The interest rate applicable on December 31, 2020 is 4.35%. As at December 31, 2020, three non-wholly owned subsidiaries of the Group had a loan of approximately RMB35.9 million due to their respective non-controlling shareholders, among these subsidiaries, one had a loan of approximately RMB27.0 million. The interest rate of the loan was 4.35% per annum, which is repayable within one year. One subsidiary had a loan of approximately RMB5.9 million with interest rate at 6.30% per annum, which is repayable on demand; another subsidiary had a loan of approximately RMB3.0 million with interest rate at 6.00% per annum, which is repayable within one year.

In addition, we had undrawn bank borrowing facilities of approximately RMB19.6 billion as at December 31, 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 December 31, 2020 was 1.0% (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 December 31, 2020, the financial assets, time deposits, bank balances and cash held in RMB, HK$ and US$ accounted for 94.5%, 5.1% and 0.4%, 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

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

We signed a contract in July 2020 to acquire 100% equity interests in Harbin Mingxiyuan Cemetery, which is principally engaged in the provision of burial services in Harbin City of Heilongjiang Province, for a consideration of RMB450.0 million. The acquisition was completed in August 2020.

We signed a contract in March 2019 to acquire 95% equity interests in Gansu Hailin Jinggang Industrial Co., Ltd.* (甘肅海林幜港實業有限公司), which is principally engaged in the provision of burial services in Lanzhou City of Gansu Province. A supplementary contract was entered into in November 2020, pursuant to which, we shall make total capital injection of RMB54.1 million in Hailin Jinggang Industrial Co., Ltd. by batches and pay a consideration of RMB40.9 million to the former shareholder. The acquisition was completed in November 2020.

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2020, we had 2,345 full-time employees (December 31, 2019: 2,349). 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 funeral facilities, cemetery assets and property and equipment in a total amount of approximately RMB86.1 million as at December 31, 2020.

ASSETS PLEDGED

As at December 31, 2020, 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 2.44 million sq.m. as at December 31, 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

We had settled most of the lawsuits without substantial losses by the end of year 2020, with five outstanding lawsuits remaining, and all of which are related to one of our indirect and wholly-owned subsidiaries, Wuyuan Wanshoushan Cemetery as a defendant, which have also been disclosed in our previous announcements. The aggregate of claim amount of these five lawsuits was approximately RMB58.46 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, 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 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

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 promoting 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 Shareholders with the best returns.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, May 25, 2021 and the notice of AGM is expected to be published and despatched to the Shareholders on or about Wednesday, April 21, 2021.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK5.53 cents per Share for the Year (Last Year: HK4.21 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 Wednesday, June 30, 2021. 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 Monday, June 21, 2021.

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, May 20, 2021 to Tuesday, May 25, 2021, 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 Tuesday, May 18, 2021.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Thursday, June 17, 2021 to Monday, June 21, 2021, 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 Wednesday, June 16, 2021.

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

During the year ended December 31, 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive Directors, namely Mr. Ho Man (Chairman of the Audit Committee), Mr. Luo Zhuping and Mr. Chen Xin, 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 2020 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 2020 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 May 25, 2021
"Anyang Tianshouyuan Cemetery"	a cemetery in Anyang of Henan Province and operated by Anyang Fushouyuan 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"	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 on January 5, 2012
"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
"Gansu Hailinjinggang"	a cemetery in Lanzhou City of Gansu Province and operated by Gansu Hailinjinggang Industrial Co., Ltd.* (甘肅海林幖港實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the company since November 30, 2020
"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 2017
"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 City 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
"Harbin Mingxiyuan Cemetery"	a cemetery in Harbin, Heilongjiang Province and operated by Harbin Mingxiyuan Cemetery Co., Ltd. (哈爾濱明西園公墓有限責任公司), a limited company estabished 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 and operated by Hubei Tiansheng Cemetery Co., Ltd.* (湖北天聖公墓有限公司) a limited company established under the laws of the PRC and became a subsidiary of the Company since January 2019
"Jinsha Fuze"	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
"Last Year"	the year ended December 31, 2019

"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 2017
"Meilin Century Cemetery"	a cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Nanchang Hongfu"	Nanchang Hongfu Humanities Memorial Co., Ltd.* (南昌洪福人文紀念有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"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 2017
"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, 2020
"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 26, 2021

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. Lu Hesheng, Mr. Huang James Chih-cheng and Ms. Zhou Lijie; and the independent non-executive Directors are Mr. Chen Qunlin, Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin.