



福壽園國際集團

FU SHOU YUAN INTERNATIONAL GROUP
01448.HK

2024

ANNUAL REPORT



福壽園國際集團有限公司
FU SHOU YUAN INTERNATIONAL GROUP LIMITED

Incorporated in the Cayman Islands with limited liability

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Bai Xiaojiang (*Chairman*)

Mr. Tan Leon Li-an (*Vice-Chairman*)

Mr. Wang Jisheng (*Chief Executive*)

Non-executive Directors

Mr. Lu Hesheng

Mr. Huang James Chih-Cheng

Ms. Zhou Lijie

Independent Non-executive Directors

Mr. Luo Zhuping

Mr. Ho Man

Ms. Liang Yanjun

Mr. Chen Xin

AUDIT COMMITTEE

Mr. Ho Man (*Chairman*)

Mr. Huang James Chih-Cheng

Mr. Luo Zhuping

Mr. Chen Xin

NOMINATION COMMITTEE

Mr. Bai Xiaojiang (*Chairman*)

Mr. Wang Jisheng

Mr. Luo Zhuping

Mr. Ho Man

Ms. Liang Yanjun

REMUNERATION COMMITTEE

Mr. Luo Zhuping (*Chairman*)

Mr. Tan Leon Li-an

Ms. Liang Yanjun

COMPLIANCE COMMITTEE

Ms. Liang Yanjun (*Chairman*)

Mr. Luo Zhuping

Mr. Ho Man

JOINT COMPANY SECRETARIES

Mr. Zhu Qiming

Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Bai Xiaojiang

Mr. Cheng Ching Kit

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CORPORATE INFORMATION

PRINCIPAL BANKERS

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Construction Bank of China
Shanghai Rural Commercial Bank
Bank of Communications
Bank of Shanghai
Citibank, N.A.

AUDITOR

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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the Group's results for the year 2024 to all Shareholders for review.

In 2024, the global economy continued to face numerous challenges, while the Chinese economy demonstrated strong resilience. With the steady recovery of the domestic economy, consumer confidence among residents continued to improve, and the service industry experienced steady development. Against the backdrop of China's implementation of green development strategy, the concept of environmentally friendly funeral and interment are becoming more widespread. Coupled with the accelerating aging population, the demand for death care services is steadily increasing. As an industry leader, Fu Shou Yuan continued to deepen its digital transformation and promote green environmental concepts, aiming to provide customers with higher-quality life services.

Fu Shou Yuan, as China's leading funeral and life technology service provider, as well as an explorer and participant in the development and reform of the funeral industry, has consistently remained at the forefront of innovation. Facing significant demand and promising market prospects in funeral and life services, the Group continuously transforms and upgrades its products while driving digital transformation based on industry-leading operational philosophies and multi-engine-driven and scale expansion strategies. Guided by its "People-oriented and Culture-rooted" corporate mission, Fu Shou Yuan focuses on service expansion, technology-driven development and cultural innovation, thereby addressing clients' diverse and high-quality needs, particularly those related to spiritual and emotional services.

In 2024, the Group's operating performance continued to maintain a steady momentum, which not only demonstrated the market adaptability of Fu Shou Yuan but also reflected the Group's unremitting efforts in continuous innovation and service optimization. During the Year, the Group recorded revenue of RMB2,077.5 million and achieved a net profit of RMB497.3 million. Profit and comprehensive income attributable to Shareholders reached RMB373.1 million. The Board proposed a final dividend of HK9.54 cents per Share for 2024 to the Shareholders. Together with the interim dividend of HK6.38 cents per Share for the six months ended June 30, 2024 and a special dividend of HK38.82 cents per Share declared on January 24, 2025, the total dividend for the whole year is HK54.74 cents per Share, which is in line with the dividend policy committed by the Group to thank Shareholders for their long-standing support and recognition.

During the Year, Fu Shou Yuan actively promoted its own transformation, striving to move from a traditional comprehensive funeral service provider towards a provider of life technology services. At the "2024 Brand Power Forum", with innovative achievements in brand building over the past 30 years, Fu Shou Yuan was shortlisted for the "Top 500 China Innovative Brands of 2024", with a brand value of RMB13.995 billion and a brand index of 431.64 points, ranking 233rd among the top 500. At the 2025 Davos World Brand Summit, it was awarded the title of "Top 500 World Innovative Brands of 2024". According to a professional brand evaluation organization, Asiabrand's brand evaluation method, Fu Shou Yuan's brand value was evaluated at US\$2.916 billion, demonstrating its leading position in the funeral industry and its outstanding performance in innovation and service quality.



CHAIRMAN'S STATEMENT

Fu Shou Yuan continuously advances its digital transformation strategy, leads the continuous iteration of digital funerals and the continuous expansion of corresponding application scenarios, and deepens the “Internet + death care service” model. Over the past year, Fu Shou Yuan made its first attempt to apply AI technology to the creation of digital person, successfully hosting the 2024 Qingming Festival conference in the form of a “digital intelligence person virtual event”. This innovative initiative not only showcased Fu Shou Yuan’s technological prowess in the digital field but also set a new benchmark for the industry. Fu Shou Yuan also launched the first interactive digital ancestral hall in China — the “Yuan Ancestral Hall” (元家祠). The digital ancestral hall combines functions such as a digital memorial hall, digital person, AI family heritage and online memorials, breaking the two-dimensional layout of traditional online memorial halls and presenting in a more tangible 3D exhibition hall format. Here, photos, videos, and artworks of the deceased can be freely arranged by family members.

During the Year, Fu Shou Yuan has actively organized and participated in various social welfare activities, with a broad spectrum covering areas such as charity assistance, mental rescue, hospice care, educational support, life education and environmental conservation. Being recognized for its outstanding performance in the charitable sector, Fu Shou Yuan was honored with the “2023 China Public Welfare Enterprise” award. In June 2024, Fu Shou Home Life Community under Fu Shou Yuan, Shanghai Hospice Care Health Service Center, Shanghai Tuoxin Health Promotion Center and Shanghai Xingchuan Health Technology Co., Ltd. jointly launched a charity service project and volunteer recruitment initiative to care for terminally ill cancer patients. This project is the first charity service project in China to provide remote support to end-stage cancer patients. Through this endeavor, Fu Shou Yuan aims to raise broad awareness in society about the lives and needs of end-stage cancer patients and their families, thereby offering more heartfelt and comprehensive assistance and support to them.

Fu Shou Yuan, in collaboration with the Shanghai Academy of Social Sciences and The Paper (澎湃新聞), jointly released the “Fu Shou Yuan Public Welfare White Paper” (《福壽園公益事業白皮書》) (the “**White Paper**”). This is the first systematic white paper in the funeral industry in China that outlines corporate participation in social welfare initiatives. The publication of the White Paper represents a milestone in summarizing Fu Shou Yuan’s public welfare initiatives, providing a roadmap for the Group to further establish a sustainable and normalized public welfare system across “Enterprise-Industry-Society”, and offering a reference path for private enterprises to engage in public welfare practices.

In terms of international cooperation, Fu Shou Yuan has actively expanded its horizons, seeking alignment and integration with international advanced experiences. From September 18 to 21, 2024, Fu Shou Yuan was invited to participate in The World Organization of Funeral Operatives (the “**FIAT-IFTA**”) 2024 Convention. During the conference, the Group provided attendees with a detailed introduction on the establishment background of the Fu Shou Yuan Li Ji Academy, its educational philosophy, and the efforts and significant achievements made to enhance the comprehensive qualities of practitioners in the Chinese funeral industry. Additionally, the Group engaged in in-depth discussions with the executive committee of the International Funeral Association to share experiences and explore collaborations, which further enhanced Fu Shou Yuan’s influence and bargaining power in the international funeral sector and laid a new foundation for international exchanges and collaborations within the industry.



CHAIRMAN'S STATEMENT

Fu Shou Yuan has consistently been committed to promoting sustainable development and has achieved significant accomplishments in this regard. The Company's continued efforts in sustainable development and delivering outstanding performance in "labor practices" and "environmental issues". Particularly noteworthy is Fu Shou Yuan's consecutive three-year improvement in the Hang Seng Index score, with the latest score reaching 65.20 points, maintaining an A+ rating and attaining the highest rating within the "Responsive" range. This highlights the Company's leading position in key areas such as career development training, talent management, resource conservation and low-carbon transformation. Fu Shou Yuan also actively responds to new ESG regulations by continually optimizing anti-corruption systems, risk management systems and supply chain management systems to further enhance corporate governance standards and ensure transparency and compliance in operations. These initiatives not only showcase the Company's achievements in sustainable development but also set benchmarks for the industry, driving synergistic progress among enterprises, society and the environment.

As a leader in the funeral industry, Fu Shou Yuan has always adhered to the principles of "operating in accordance with laws and regulations", "creating a new industry culture", "ensuring customer satisfaction and government confidence" and "fulfilling various responsibilities". In the future, Fu Shou Yuan will continue to drive funeral reforms with a strong sense of responsibility and mission, support industry standardization and green development, provide higher-quality services to society and contribute more to the sustainable development of the industry.

Looking ahead, with the aging population increasing, the demand for funeral services is expected to rise steadily. Fu Shou Yuan will remain committed to its "People-oriented and Culture-rooted" philosophy, continue to enhance service quality, advance digital transformation efforts, uphold the mission of "Monuments beautification, Memories thickening and Heritage lengthening", and strive to fulfill our corporate, social, industry, historical and public responsibilities. Through fostering a new industry culture, we aim to drive industry transformation and contribute to the progress of social civilization, working tirelessly to meet the public's aspirations for a better life. Fu Shou Yuan will persist in innovation-driven development, accelerate digital transformation, expand the practice of green funeral services, and deliver higher-quality life services to our clients. Meanwhile, the Group will actively uphold its social responsibilities, promote the healthy development of the industry, and refine mechanisms to ensure sustained, stable and high returns for investors, thereby creating greater value for Shareholders.

By order of the Board

Fu Shou Yuan International Group Limited

Bai Xiaojiang

Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

As China advances into a moderately prosperous society in all respects and reached a new historical starting point, promotion of people's well-being to a new level and continuous enhancement of people's sense of satisfaction, happiness and security will be China's key developmental goals in terms of people's livelihood going forward. In the new era, people's desire for a better life has extended from "life" to "death". Improving the quality of people's funeral services and achieving "peaceful departure" has become the major issues in the field of death care service and has been promoting the in-depth development of China's death care service industry.

In recent years, China's new urbanization has been progressing steadily with rising urbanization rate. According to the latest data published by the National Bureau of Statistics of China, as of the end of 2024, China's resident population in urban areas reached 943.5 million, representing an increase of 10.83 million compared to the end of 2023, while the rate of urban population was 67.0%, representing an increase of 0.84 percentage points compared to the year of 2023. China's urbanization rate has increased by an average of 0.92 percentage points annually over the past six years, with more than 10 million rural residents moving into urban areas every year. The steady increase in the level of urbanization will give rise to a wide range of demands from the new urban population for funeral infrastructure, multi-layered funeral services and life-related technology industries. At the same time, the number of China's aging population has further heightened. At the end of 2024, the number of people aged 60 and above reached 310.31 million, accounting for 22.0% of the total population. The number increased by 13.34 million compared to the end of 2023, representing a rise of 0.9 percentage points in its proportion to the overall population. During the 14th Five-Year Plan Period, the population born in the second birth peak in the 1960s have successively entered old age, resulting in a sharp increase in China's aging population. According to the latest data published by the National Bureau of Statistics of China, the number of deaths in China for 2024 was 10.93 million. In addition, with the continuous advancement in funeral reforms and customs changes, the cremation rate of remains in China continued to increase in recent years. In 2021, 5.966 million bodies were cremated nationwide with a cremation rate of 58.8%. Looking ahead, the acceleration of and interplay between the new urbanization process, the aging population trend and the increased cremation rate will continuously give rise to a massive demand for death care services in the market.

In 2024, the overall economy of China has been operating steadily with a long-term upward trend. According to the latest data published by the National Bureau of Statistics of China, China's GDP amounted to RMB134,908.4 billion in 2024, representing a year-on-year increase of 5.0% if calculated at constant prices. The disposable income per capita of urban residents was RMB54,188, representing a year-on-year growth of 4.6% in nominal terms and a growth of 4.4% in real terms excluding price factors, compared to 2023. The consumption expenditure per capita of urban residents was RMB34,557, representing a year-on-year growth of 4.7% in nominal terms and a growth of 4.5% in real terms compared to 2023. The service consumption expenditure per capita of national residents increased by 7.4%, accounting for 46.1% of residents' per capita consumption expenditure, which was 0.9 percentage points higher than that of Last Year. On the other hand, as the external environment becomes more complex, severe and uncertain in 2024, the pain of domestic structural adjustment has begun to emerge, factors such as insufficient short-term effective demand lingered to retard the sustained upturn in the service industry economy, with further rooms for improvement in the residents' consumption power. In the long run, with the improvement of people's living standards and the steady growth of their income, the upgrading trend in China's resident consumption structure has remained unchanged, with constant emergence of consumption highlights such as digital consumption, green consumption and healthy consumption, demonstrating that the residents' demand for quality continues to increase, and the concept of green and environmental protection becomes more popular. There are numerous opportunities for the development of service-based consumption in the future, including the urbanization of the household population, which will stimulate the upgrading of service-based consumption, the



MANAGEMENT DISCUSSION AND ANALYSIS

ageing of the population, which will bring diversified demand for elderly services, and the development of the digital economy, which will give rise to new types of service-based consumption and so on. As a humanized funeral service provider, we will not only satisfy the basic funeral service needs, but will also cater to the public's growing demands for diversified and differentiated services with high quality, providing multi-layered service contents and more convenient service scenarios to extend humanistic care and emotional comfort to the deceased and their families.

The death care service sector in China has been pressing ahead in terms of reform and innovation, so as to strengthen system construction and advance the modernization of the governance system and governance capacity in death care service. Since 2021, the Ministry of Civil Affairs of the PRC and governments at all levels have successively issued their 14th Five-Year Plan on the Development of Civil Affairs (《「十四五」民政事業發展規劃》), which further improves the public death care service system and enhances the government's ability to provide basic death care services. It will further accelerate the reinforcement of death care service facilities by addressing their weaknesses and practically improve the standard of governance in the death care service sector, while further regulating and strengthening the management of death care services, standardizing the business conduct of death care intermediaries and service providers, and establishing a sound and comprehensive regulatory mechanism. In November 2023, the Ministry of Civil Affairs issued the Notice of the General Office of the Ministry of Civil Affairs on Publishing of the Plan for the Construction of Civil Affairs Laws and Regulations (2023–2027) (《民政部辦公廳關於印發〈民政法規制度建設規劃(2023–2027年)〉的通知》), which sets out specific improvement measures on death care service system to promote the formulation of policies in strengthening and enhancing death care service management, and initiating studies on legislation for death care regime in a timely manner. In particular, the Regulations on Funeral and Interment Control (《殯葬管理條例》) has been included in the legislative work plan of the Ministry of Civil Affairs and its revision is being actively promoted. The revision of the Regulations on Funeral and Interment Control will deepen the death care reform, improve the death care service system, and help rectify the chaos in the industry. It further standardizes death care behaviors, strengthens the provision of legal protection in death care management, promotes the market-oriented and standardized development of the industry, and ultimately achieves the long-term healthy growth of China's death care service industry. In February 2024, the Ministry of Civil Affairs convened a mobilisation and deployment meeting for the year-opening work and emphasised once again the need to expedite the reinforcement of death care service facilities, including increasing investment in the construction of funeral parlours, cemeteries and other infrastructure, to improve the coverage and service capacity of death care facilities. In the same month, the Ministry of Civil Affairs released the Notice on Public Solicitation of Opinions for 20 National and Civil Affairs Industry Standardization Projects, including the Guidelines for Land-saving Ecological Burial Services (《關於〈節地生態安葬服務指南〉等20項國家和民政行業標準計劃項目公開徵求意見的通知》). The relevant standardization projects cover various aspects of death care services, including, among others, land-saving ecological burial, grief counselling services, basic functions of the funeral IoT information system software, standards for body embalming agents, and requirements for online worshipping, which marks another important step in the promotion of death care standardization. In April 2024, the Ministry of Civil Affairs issued the Notice of the General Office of the Ministry of Civil Affairs on Further Strengthening the Standardized Disposal of Remains and Cremated Ashes (《民政部辦公廳關於進一步加強遺體和骨灰規範處置工作的通知》), which further regulates the disposal services for remains and cremated ashes by stipulating responsibilities of various operating facilities and relevant regulatory authorities, and strengthening the education and training of service personnel in the industry. Since 2024, a total of 6 national standards and 12 industry standards at the national level have been issued in the funeral sector, and more than 10 recommended industry standards have been formulated and revised, which demonstrates the country's determination and efforts in improving the service supply level, strengthening supervision and management, and promoting the healthy development of the funeral sector. The relevant standards not only reflect the strict requirements on the process and technical specifications of funeral services, but also highlight the value orientation of environmental protection, resource conservation and humanistic



MANAGEMENT DISCUSSION AND ANALYSIS

care. The Group expects that there will be a higher entry barrier for both new and existing participants in the death care service industry with the continuous improvement in regimes and systems of the death care service sector. As a distinguished death care service provider and an industry leader in China, we have always been at the forefront of the industry in terms of compliance and the development of standardized systems, and we believe the above-mentioned regulations will create a better environment with fair competition and adequate rooms for sustainable development. We will continue our efforts in directing the development of the industry and better serve the public through death care services that meet both psychological and cultural needs.

With regards to the technology in funeral and burial, in December 2021, the Ministry of Civil Affairs issued the 14th Five-Year Plan on the Development of the Digitalization of Civil Affairs (《「十四五」民政信息化發展規劃》), which serves as a proactive effort to establish a nationwide digitalized platform for death care management services, to build a fundamental database for national death care information, and to improve the digitalized standards of death care management services. By promoting the integration of the internet and death care services and developing new service modes such as remote funerals and online worshipping, it aims to provide more convenient death care services for the public. Additionally, the Ministry of Civil Affairs issued Specifications for Online Worshipping Services (《網絡祭祀服務規範》) and Requirements for Online Worshipping (Draft for Public Comments) (《網絡祭祀要求(徵求意見稿)》), which set out the basic requirements for providing online worshipping services, service procedures, and standards for online memorial halls and its evaluation and improvement. During the Qingming period in 2024, a total of 1,164 online worshipping platforms were launched nationwide, serving approximately 4.591 million users, which has become an important way for the public to express their grief and remember the deceased. The Internet is advancing the transformation and upgrading of death care services from traditional practices to modern formats. “Internet + death care” empowers death care services with information technology. It is accelerating the standardization of death care services and boosting the high-quality development of death care services. In May 2024, China Civil Affairs (《中國民政》) magazine published a signed article entitled Seizing New Opportunities in the Development of New Productivity and Striving for High-Quality Development in Social Affairs (《把握發展新質生產力新機遇努力推動社會事務工作高品質發展》). The article pointed out that the death care service industry is currently in a critical period of product iteration and increasing pressure. It is necessary to accelerate technological innovation and industrial transformation, integrate modern technological ideas into traditional funerals, and promote the development of a new industry characterized by high technological content, low resource consumption, minimal environmental pollution and greener product supply. In August 2024, the Ministry of Civil Affairs issued 10 recommended industry standards, three of which highlight the pivotal role of digitalisation and cyberisation in the rapid development of high-tech funeral services. These include the “Basic Functional Requirements for the Information System Software of Internet of Things Used in Funeral Services” (《殯葬物聯網資訊系統軟件基本功能要求》) and the “Basic Data Elements for the Information Systems of Internet of Things Used in Funeral Services” (《殯葬物聯網資訊系統基本數據元》), which outline the relevant standards and requirements for constructing the information systems of internet of things used in funeral services by the Ministry of Civil Affairs and funeral service providers. Furthermore, the “Technical Requirements for Online Platforms for Public Funeral Services” (《殯葬公共服務網絡平台技術要求》) specifies the general requirements and data requirements for building online platforms for public funeral services. It addresses performance and technical requirements in areas such as enquiry, statistics and reliability, and outlines specific technical indicators for the physical environment, disaster recovery backup, network construction and operation and maintenance. Detailed technical requirements for security protection are also included, focusing on security incident response, physical environment security and platform network security. “To use the scientific ways of thinking and approach to give the deceased dignity, and use modern technology to enhance death care services to make them more humane and high-end” will be the future development direction of the death care industry. As a distinguished death care service provider and industry leader in China, we will continue to elevate our technological innovation capability and accelerate the application of technology and digital transformation in death care services.



MANAGEMENT DISCUSSION AND ANALYSIS

As China's social and economic development has entered a new era, people's demands have been gradually moving from "availability" to "quality". In the death care service sector, China witnessed the increasing disposable income per capita, vigorous promotion of traditional Chinese culture and virtues by the government, accelerating urbanization progress, aging population and rising cremation rate in recent years. These trends not only underlie the increase in overall demand for death care services, but also demonstrate the requirements for better death care service quality and the diversification and differentiation of the substance of death care services. With the acceleration of China's population aging, the death care industry will be gradually incorporated into the coordination, development, and planning of the entire elderly service industry to facilitate the development of each "elderly" service industry in a coordinated manner. In addition, a multi-layered social service security system, led by the government with contribution from the society, has been established to stimulate the vitality of market entities and direct social energy towards livelihood service security in an orderly manner, thereby proactively advancing the supply-side structural reform of death care services. It is able to secure the basic livelihood requirements and satisfy the public's demand for multi-layered and diversified death care services at the same time. These driving factors are set to boost the in-depth and stable development of the death care service industry in China.

BUSINESS COMMENTARY

In 2024, on one hand, China's economy as a whole showed a stable recovery trend, with GDP reaching RMB134,908.4 billion, representing a year-on-year increase of 5.0% if calculated at constant prices; the disposable income per capita of urban residents was RMB54,188, representing a year-on-year growth of 4.4% in real terms excluding price factors, compared to that of 2023; the consumption expenditure per capita of urban residents was RMB34,557, representing a year-on-year growth of 4.5% in real terms compared to that of 2023. On the other hand, as the external environment becomes more complex, severe and uncertain, the pain of domestic structural adjustment has begun to emerge, factors such as insufficient short-term effective demand lingered to retard the sustained upturn in the service industry economy, with further rooms for improvement in the residents' consumption power. Under such economic environment, customers appeared to be more cautious towards their consumption behaviors in death care scenarios, took longer time for consideration before making consumption decisions, and there were fewer local support policies implemented upon death care companies. All these have brought challenges to the development of the Group in addition to the higher comparative revenue base in the same period Last Year when the accumulated and deferred market demand was released post the impact of the Covid-19 pandemic. During the Year, in order to respond to the corresponding changing trends in the economic environment and customer consumption behavior, the Group continued to focus on both the market and product fronts. We have made multifaceted efforts across the fields of service extension, technological leadership and cultural innovation, formulating policies that cater to different "cemeteries" to meet the diversified and differentiated consumer needs of cemetery customers, especially those at the spiritual level. We will continue to enhance the core competitiveness of our products and services to achieve long-term sustainable development of the Group.

We are transforming from an industry-leading comprehensive death care service provider to a life technology service provider. In respect of cemetery business, we continue to be committed to implementing the "3JI" Concept (Monuments beautification, Memories thickening, Heritage lengthening) in various places and cemeteries. During the Year, under the guidance of the "3JI" Concept, we launched a new sentiment product integrating cemetery products + services, striving to provide innovative, artistic life services that cover wider spectrum to our customers' satisfaction. There are 17 cemeteries designed and implemented under the "3JI" Concept, each of which is a profound artistic embodiment. They epitomize the reverence for life and pursuit of life aesthetics through their design concept, which is full of humanistic care and overall cemetery layout, which possesses both inner and outer beauty, as well as the natural landscape that serves as embellishment and the monument design that combines functionality and artistry. In addition, as the vessels for documenting and commemorative activities in the "3JI"



MANAGEMENT DISCUSSION AND ANALYSIS

Concept, personalized, digital and innovative services including digital rituals (digital immersive burial, memorial and worship), “Fu Shou Yuan Online Service” mini program, digital humanities memorial halls, life story memoirs, and digital ancestral halls have been developed and integrated into multiple scenarios and sessions such as funerals, burials and memorial ceremonies. It allows customers to upload audio, pictorial and video materials to create 2D and 3D digital mannequins, life story microfilms, life story memoirs, as well as to generate family biographies on a household basis, all of which provide customers with a richer and broader spectrum of sentimental experience and beneficial emotional interventions. Meanwhile, we have strengthened our technology-enabled management in this digital era. We are among the few cemetery enterprises that have fully implemented digitized systems for engineering, security, cleansing and cemetery management, which has tied in with the manpower efficiency targets and further enhanced operational efficiency. In addition, through the innovation of engineering technology, we are able to develop miniaturised and artistic products of different price range in cemeteries, providing diversified products and services to more customer groups with different needs.

During the Year, despite the overall downturn in the domestic construction industry, Temshine, a wholly-owned subsidiary of the Group in the design segment which specialized in the planning and design in the funeral field, has maintained relatively stable operations and development. Temshine obtained multiple planning and design projects from burial and funeral facilities in different regions during the Year through open market bidding. It remained as a national leader in terms of design strength and operating capabilities. At the same time, Temshine actively implemented the “3JI” Concept within the Group, providing a strong guarantee for the “3JI” planning and implementation among the Group’s various entities, which has further enhanced the market competitiveness of the Group’s products.

In respect of funeral services business, we focused our efforts on several aspects during the Year, namely business restructuring, customer value creation, etiquette service transformation and technology-enabled management. Through core process transformation focusing on “new scenarios, new supplies and new services”, we have led industry development by catering to the “new consumption” needs of modern funerals, stimulating the vitality of traditional funeral business, and responding to the differentiated and diversified service needs of the market. We have paid full attention to the psychological needs of customers, using smart sound and light systems to transform cremation scenes, and introducing “meditation healing” services into farewell ceremonies. We have developed ritual services including Memorial Plaque Setting Ceremony, Bathing Ceremony for the Deceased, Hanging Blessings Ceremony, along with related cultural and creative products. Further standardization and upgrades of the halls have led to the creation of the “Four Halls of Life” planning scheme, enhancing the functionality, aesthetics and technological appeal of mourning halls, and strengthening customers’ experience and sense of satisfaction in funeral services. At the same time, we further expanded the scope of centralized R&D and procurement of funeral supplies, and incorporated “cultural paper coffins”, “cultural urn”, and “portable scented sachets” into ceremonies, ensuring a full coverage of the “new culture” onto our funeral services. In addition, we continued to promote high value-added and high technology services, such as embalming and bathing for the departed, to strengthen our core competitiveness and promote the high-quality and sustainable development of funeral services.

As an important strategic pivot of the Group, pre-need contract aims to provide life planning advice and end-of-life management solutions to the public, and provide elderly service solutions to institutions and governments. It helps the Group to lock in customers in advance and create a stable customer reserve for the funeral and cemetery segments. In the context of an aging society, pre-need contract services have been attracting more customers who wish to make their after-death arrangements earlier, and have also gained recognition, support and service orders from governments at all levels and elderly service institutions. During the Year, a total of 20,229 pre-need contracts were signed (2023: 17,707 contracts), representing an increase of 14.2% compared with that of Last Year. The growth in sales volume was mainly attributable to the procurement of solutions by institutions and governments and



MANAGEMENT DISCUSSION AND ANALYSIS

the development of products at different target levels. Compared to channel development, we believe that the enhancement of the service content included in the pre-need contract will be more attractive to customers, governments at all levels and elderly service institutions, which will accelerate the promotion of the pre-need contract and improve its core competitiveness. Therefore, during the Year, we were also exploring integrated pre-need contracts that incorporate various professional support services such as hospice care, grief counseling and emotional intervention. At the same time, we continued to promote the all-round and multi-insurance cooperation with insurance companies, and in the second half of the Year, we designed and completed a product combined with accident insurance, hoping to drive the growth of the pre-need contract business and the rapid expansion of the market through cross-industry cooperation.

The Group's eco-friendly cremator business, which integrates R&D, design, in-house production, comprehensive support and after-sales service, manufactures smart and eco-friendly cremation equipment and exhaust gas purification treatment systems. During the Year, we continued to optimize product performance and collect customer feedback to further improve product quality and reduce operation and maintenance costs. We actively maintained customers from home and abroad by providing pre-sales technical support and after-sales maintenance guarantee. We have developed and provided services for updating and rebuilding old JS-2 cremators, allowing existing customers to share the latest achievements in product upgrade and energy conservation. At the same time, we continued to conduct statistical analysis and verification of new ash sorting furnaces and exhaust gas purification system equipment, further reducing their cremation time and fuel consumption through consistent optimization and adjustment. Furthermore, we are also establishing our own domestic and overseas sales system for the eco-friendly cremation equipment segment. During the Year, we maintained close contact with a number of potential partners from home and abroad, and signed sales cooperation agreements with several companies for cremators, exhaust gas systems and certain auxiliary equipment. With the construction of corresponding funeral facilities following the advancement of new urbanization, the aging trend of the population, and the accelerated increase in cremation rates, together with the promotion of environmental protection we believe that the demand for eco-friendly and smart cremation equipment will increase significantly in different regions.

As of now, the Group's footprint covers over 40 cities in 19 provinces, autonomous regions and municipalities in China, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu, Hubei, Hebei and Shaanxi, which includes our operating cemeteries and funeral facilities in major cities across 17 provinces, municipalities and autonomous regions in China. The Group's expansion plans in other major provinces, capital cities and uncharted areas across China are still progressing steadily. The Group will proceed at a prudent and steady pace and adhere to our responsibility to our Shareholders, focusing on core and higher tier cities as well as opportunities for new and existing projects with greater regional synergies. We will select suitable targets, integrate diversified business resources and acquire quality assets at fair and reasonable consideration.

During the Year, as the Group was in the process of transforming from an industry-leading comprehensive funeral service provider to a life technology service provider, we had been focusing on establishing a talent structure and building a team that is compatible to the business transformation. In addition, in view of the complicated market environment and challenges, we continued to deepen our human resources management reform. During the Year, we have optimized the formulation of our labor efficiency targets and salary grading system. This will ensure rational allocation of human resources, swift response to changes in the market, and preserving our competitiveness and adaptability.



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During the Year, as the first corporate funeral vocational and educational institution in China with the qualification of a non-degree higher educational institution, as well as a core member of the Industry-education Integration Unit of the National Funeral Industry (全國殯葬行業產教融合共同體), the Group's Li Ji Academy offered courses such as "Cremator" and "Cemetery Manager", provided "Specialized Counseling for Social Workers' Vocational Qualification Examination", and published the "Code of Practice on Grief Counseling Services for Funeral Practitioners" as a group standard. In addition, Li Ji Academy hosted the 2nd council meeting of the Industry-education Integration Unit of the National Funeral Industry and the inaugural Forum of 30 People on China Funeral Management (中國殯葬治理30人論壇). It also took the lead in setting up the Think Tank for Integrated Life Service Industry in Yangtze River Delta (長三角一體化生命服務事業智庫) and successfully jointly organized the Sino-UK Healthcare Summit and the first international forum of the Think Tank for Integrated Life Service Industry in Yangtze River Delta, providing intellectual support to promote exchanges among government, industry, scholars and researchers in China's funeral sector, and speeding up the improvement of funeral management system with Chinese characteristics. On the front of international exchanges, Li Ji Academy organized an international study group to take part in the "2024 ICCFA Annual Conference and Exposition" in the United States, the "2024 Asian Funeral and Cemetery Expo and Conference (AFE2024)", the "10th ENDEX, the 17th FIAT-IFTA Annual Conference", the "35th ACCA Annual Conference" and the "2024 NFDA Annual Conference and Expo". On the front of policy research, Li Ji Academy was the main drafting party of the Construction and Service Regulations for Public Welfare Burial (Resting) Facility (公益性安葬(放)設施建設和服務規範), which was selected into the first batch of Standardized Guiding Technical Documentation Project of Shanghai Pudong New District in 2024.

Always upholding its "People-oriented and Culture-rooted" philosophy, Fu Shou Yuan has been transforming from an industry-leading comprehensive funeral service provider to a life technology service provider, extending its services beyond the earthly realm "Fu Shou Yuan" to the spiritual realm "Metaverse Park". We aim to "glorify the monuments", "prolong the memories" and "deepen the heritage". During the Year, there were a total of approximately 114,000 online articles related to Fu Shou Yuan, representing a year on year increase of 74%, with the volume of coverage on the Internet and positive coverage all reaching record high. The general public had largely given its approval to Fu Shou Yuan's pursuit of AI and digital transformation. Its branding activities such as the Peking University Qingming Forum, the Virtual Launch of Digital Replicant at Qingming, Fu Shou Yuan Life Charity Festival as well as its public welfare practices such as industry-education integration and life education, had all earned much praise from the public. There was multimedia coverage on the Group's staff across the country, including funeral director, tombstone designers and cleaners, who were being dubbed as "star growers". In September 2024, Shen Cuiying, a well-known philanthropist in Shanghai who was endearingly known as "Shanghai Grandma", was laid to rest in Shanghai Fu Shou Yuan. At the commemorative event, the digital image of Grandma Shen met with friends, family and guests at the event. In October 2024, Fu Shou Yuan appeared in Liu Run's 2024 annual speech. Liu Run, founder of Run2Me Consulting and a famous business consultant, shared Fu Shou Yuan's "3JI" Concept to millions of online and offline audiences. In December 2024, Shanghai Academy of Social Sciences and The Paper (澎湃新聞), together with Fu Shou Yuan, jointly released the "White Paper on Public Welfare of Fu Shou Yuan (福壽園公益事業白皮書)", which is the first white paper of the funeral industry in China that systematically organizes the undertakings of enterprises in social welfare and provides a reference path for private enterprises to carry out public welfare practices. We gained wide recognition from all walks of life for our achievements in public welfare, public relations, technological innovations and brand development, receiving a number of awards including "Annual Contribution Award for Education and Public Welfare" at the 13th China Public Welfare Festival (第十三屆公益節「年度教育公益貢獻獎」), the "Chinese Public Welfare Enterprise of the Year" at the 8th China Public Welfare Conference (第八屆中國公益年會「年度中國公益企業」), the "Digital Innovation Leading Award" and "Outstanding Brand Image Award" at the 13th Finance Summit, the "Golden Award for Responsibility" at the 7th Social Responsibility Conference, among others. In January 2025, Fu Shou Yuan was invited to the 2025



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Davos World Brand Summit and was selected as one of the “2024 World’s Top 500 Innovative Brands” (2024世界創新品牌500強). With its brand valuation at USD2,916 million (approximately RMB21,200 million) and brand index at 492.45, Fu Shou Yuan ranked 380th on the list.

In view of the above, notwithstanding the numerous challenges posed by the economic environment this year as well as the relatively higher comparative revenue base Last Year, the concerted efforts of our entire Group have contributed to a total revenue of RMB2,077.5 million for the Year, representing a decrease of approximately 20.9% from Last Year. Profit and comprehensive income attributable to the owners of the Company amounted to RMB373.1 million, representing a decrease of approximately 52.8% compared to Last Year.

REVENUE

During the Year, our revenue decreased by RMB550.5 million or 20.9% to RMB2,077.5 million from RMB2,628.0 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:

	2024		2023	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Burial services	1,709,205	82.3%	2,165,253	82.4%
Funeral services	339,191	16.3%	397,886	15.1%
Other services	37,436	1.8%	78,542	3.0%
Inter-segment elimination	(8,348)	(0.4%)	(13,652)	(0.5%)
Total	2,077,484	100.0%	2,628,029	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:

	2024		2023	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	12,569	1,523,223	16,385	1,958,344
Public welfare plots and tomb relocation	3,935	11,545	2,393	7,011
	16,504	1,534,768	18,778	1,965,355
Other burial services		174,437		199,898
Total revenue from burial services	16,504	1,709,205	18,778	2,165,253



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During Last Year, the accumulated and deferred market demand for burial plot services came up with higher volumes of customers visiting our cemeteries, resulting in a swift sales rebound and a relatively higher base. During the Year, due to the impact of the macro economic environment and related expectation, customers appeared to be more cautious towards their consumption behaviors, which resulted in the decrease of revenue from sale of burial plots services.

During the Year, the revenue from sale of burial plots services for ordinary business purpose decreased by RMB435.1 million or 22.2% as compared to that of Last Year, and sales volume decreased by 3,816 or 23.3% while the ASP increased by approximately 1.4 percentage points.

During the Year, sale of public welfare plots and tomb relocation recorded RMB11.5 million, which related mainly to 1) tomb relocation and construction service to meet the market demand due to certain government's plan to develop local infrastructure construction; and 2) public welfare plots services rendered to designated people.

The following table sets forth the breakdown of revenue of sale of burial plots services for ordinary business purpose from our new (i.e. those related to acquisitions/new construction) and comparable cemeteries during the Year:

	2024		2023	
	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*	12,440	1,517,593	16,344	1,956,707
Cemeteries related to acquisitions/new construction	129	5,630	41	1,637
Total revenue from sale of burial plots services for ordinary business purpose	12,569	1,523,223	16,385	1,958,344

* Comparable cemeteries refer to those cemeteries owned and operated by the Group for the entire period from January 1, 2023 to December 31, 2024.

During the Year, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries decreased by RMB439.1 million or 22.4% as compared to that of Last Year. Its sales volume decreased by 3,904 or 23.9%. This is because during Last Year, the accumulated and deferred market demand for burial plot services came up with higher volumes of customers visiting our cemeteries, resulting in a swift sales rebound and a relatively higher base; while during the Year, customers appeared to be more cautious towards their consumption behaviors, resulting in lower confirmed sales volume. Meanwhile, the ASP of burial plots services for ordinary business purpose in comparable cemeteries increased by 1.9% as compared to that of Last Year, due to the combined effect of products mix and contributions from various cemeteries. Although, the sales volume of Shanghai Fu Shou Yuan reduced compared to Last Year, its higher value-added services, such as the customized products and services have seen to continue to rise in volume. In addition, the revenue contribution from Shanghai Fu Shou Yuan have also increased to approximately 2.3 percentage points among all the comparable cemeteries in terms of the sale of burial plots services. Revenue from sale of burial plots services for ordinary business purpose in newly acquired or



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newly developed cemeteries increased by RMB4.0 million, mainly due to the contribution from the cemeteries in Dezhou of Shandong Province which started to operate in the current year, Yan'an of Shaanxi Province and Heze of Shandong Province which started to operate in the first half of Last Year. The ASP of burial plots sold for ordinary business purpose in newly acquired cemeteries was lower than that of comparable cemeteries, as the cemeteries are located at different regions with different products and services rendered and these new cemeteries need time to improve their landscape, enhance the services, strengthen their team and upgrade the operation gradually, in order to provide high quality services to their customers and to increase the returns to the Group. We formulated a systematic operation improvement plan for these new projects to ensure the achievement of the above goals. Leveraging on our advanced philosophy, extensive management experience in death care business and a strong team of professionals, those new cemeteries are expected to achieve profitable growth in the future.

FUNERAL SERVICES

The following table sets forth the breakdown of revenue from our newly acquired/established and comparable funeral facilities during the Year:

	2024		2023	
	No. of customers	Revenue (RMB'000)	No. of customers	Revenue (RMB'000)
Funeral services, from:				
Comparable facilities*	62,015	332,555	71,460	395,803
Facilities related to new acquisitions/new construction	3,128	6,636	1,208	2,083
Total revenue from funeral services	65,143	339,191	72,668	397,886

* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2023 to December 31, 2024.

During the Year, revenue from funeral services decreased by RMB58.7 million or 14.8%. The volume of funeral services decreased by 7,525 households or 10.4%, while ASP decreased by RMB269 or 4.9%. Revenue from comparable funeral facilities and services decreased by RMB63.2 million or 16.0%. The service volume decreased by 9,445 households or 13.2%. The aforesaid decrease was mainly due to the following combined effects: 1) during Last Year, funeral facilities resumed to normal operation and value-added services were allowed to be performed after the lifting of epidemic prevention and control measures, resulting in a higher comparative base; 2) since the second half of Last Year, certain funeral projects ceased the operation upon their expiration of existing cooperation agreements with local partners. Meanwhile, ASP of comparable funeral facilities and services decreased by approximately 3.2% as compared to that of Last Year, mainly due to changes in sales contribution mix among the funeral facilities. In particular, the facilities in Chongqing, which render comparatively higher value-added services, have reported a reduction in sales volume during the Year due to fiercer local competition as well as the temporary suspension of business operation upon office refurbishment.

During the Year, the revenue from facilities related to new acquisitions and new construction was contributed by the facilities in Yan'an of Shaanxi Province and Shenyang of Liaoning Province, which were acquired and incorporated in June 2023 and September 2023, respectively.



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GEOGRAPHIC INFORMATION

Our cemeteries and funeral facilities under operation are strategically located in major cities across 17 provinces, municipalities and autonomous regions in the PRC. The following table sets forth a breakdown of revenue from burial services and funeral services by region during the Year:

	2024		2023	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Shanghai	998,330	48.7%	1,262,184	49.2%
Anhui	165,791	8.1%	166,869	6.5%
Liaoning	135,906	6.6%	188,694	7.4%
Henan	128,421	6.3%	164,076	6.4%
Jiangsu	98,578	4.8%	117,547	4.6%
Heilongjiang	92,552	4.5%	97,269	3.8%
Shandong	83,168	4.1%	120,097	4.7%
Jiangxi	77,434	3.8%	106,804	4.2%
Chongqing	64,036	3.1%	85,853	3.3%
Fujian	57,784	2.8%	64,670	2.5%
Zhejiang	48,491	2.4%	56,900	2.2%
Guizhou	40,095	2.0%	59,754	2.3%
Gansu	25,708	1.2%	28,279	1.1%
Inner Mongolia	14,026	0.7%	19,915	0.8%
Guangxi	13,675	0.7%	20,887	0.8%
Shaanxi	3,077	0.1%	1,696	0.1%
Hubei	1,324	0.1%	1,645	0.1%
Total	2,048,396	100.0%	2,563,139	100.0%

As impacted by the higher comparative base in Last Year and the macro economic environment and related expectation during the Year, revenue decreased in line with the reduction of the sales volume. With major cemeteries within the region, Shanghai, Anhui and Liaoning were top three regions which contributed the most to the Group, among which, Shanghai region accounted for 48.7% of the Group's revenue. Anhui's contribution to the Group's revenue increased by 1.6 percentage points mainly because a heavyweight cemetery has resumed normal operations this year, leading to an increase in revenue. Liaoning's contribution to the Group's revenue is down 0.8 percentage points mainly because the revenue of the two local cemeteries reduced due to decline in sales volume.

OTHER SERVICES

Revenue from other services for the Year mainly represented revenue of approximately RMB23.0 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, revenue from Construction Services (EPC) of RMB7.2 million, and revenue from the sale of cremation machines and other related services of approximately RMB5.9 million.



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENDITURE

The Group's operating expenditure, which accounted for 65.8% of total revenue for the Year (Last Year: 47.8%), increased by RMB111.8 million or 8.9%. Such increase was mainly attributable to the following combined effects: 1) the addition of impairment of related assets in the amount of RMB127.8 million based on the evaluation and expectation of business operating environment and operating cashflow, of which the impairment of goodwill and related assets in connection with two cemeteries projects amounted to RMB104.2 million; 2) one-off redundancy compensation in order to optimize and increase the human resources efficiency group-wide; 3) increased tax expenses incurred by certain subsidiaries due to variable tax factors; 4) reduction in various operating expenditure in line with the decrease of sales volume.

The Group's staff costs include staff salaries, bonuses and benefits. During the Year, the staff costs decreased by RMB19.6 million or 3.9%. Such decrease was mainly attributable to the following combined effects: 1) reduction in salaries and bonuses in line with the decrease in sales number of cemeteries and funeral services; 2) one-off redundancy staff compensation in the second half of the Year; 3) some maintenance work which used to be outsourced started to be performed by the employees in certain subsidiaries; 4) the increase of staff costs from the companies newly acquired or established since the second half of Last Year, such as Yan'an Hongfu and Shengyang Fuyou.

The construction costs relate to the expenditures in building burial plot products (excluding stone materials). During the Year, the construction costs decreased by RMB9.0 million or 7.3% in line with the reduced construction size in view of the decreased sales volume, as the Group closely monitored the construction planning of the theme parks in the cemeteries in order to optimize the construction size and increase the input-output efficiency. Meanwhile, the Group focuses on cost invested in construction, through optimizing the vendors pool and suppliers ranking, reducing overall procurement and engineering costs while maintaining quality and quantity, continuously improving the return on investment in construction.

Consumed materials and goods relate to 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. During the Year, the consumed materials and goods decreased by approximately RMB39.0 million or 20.6%, in line with the decline of business volume of burial and funeral services. Meanwhile, the Group focuses on implementing the centralized procurement to a larger scale and to cover more materials with a view to continuing to reduce overall purchase costs.

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 RMB7.3 million or 14.9%. Such decrease was the combined effect of reduced sales volume, better control of marketing costs and decline of sales commission percentage offered to the third-party sales agents.

During the Year, depreciation and amortization increased by RMB6.6 million or 3.9%, mainly due to the commencement of full period operation of certain new cemeteries and funeral facilities.

Other general operating expenditures increased by RMB72.8 million or 42.5%, mainly due to the increased maintenance expenses and water/electricity consumption costs as well as the increased tax expenses incurred by certain subsidiaries due to variable tax factors and was partly offset by 1) the reduction of relevant expenditures such as entertainment fees, travel expenses, conference expenses, transportation costs, etc. in line with the decline of sales volume; and 2) the continued implementation of in-depth cost control measures group wide during the Year.



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Impairment losses of RMB104.2 million were recognized on property and equipment, intangible assets, cemetery assets and goodwill in connection with two cemetery projects after evaluation of their updated business environment, projection of operating cash flow and etc. Among the aforesaid RMB104.2 million, impairment losses of RMB60.4 million were recognized on the related assets of a cemetery located in Shandong Province whereas impairment losses of RMB43.8 million were recognized on the related assets of a cemetery project located in Liaoning Province.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Year decreased by RMB662.3 million or 48.3% as compared to that of Last Year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Year:

	2024		2023	
	Operating Profit (RMB'000)	Operating Profit Margin	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	706,754	41.3%	1,304,277	60.2%
Funeral services	28,664	8.5%	64,413	16.2%
Other services	(27,425)	(73.3%)	1,847	2.4%
Inter-segment elimination	1,894	(22.7%)	1,662	(12.2%)
Total	709,887	34.2%	1,372,199	52.2%

During the Year, the operating profit margin of burial services decreased to 41.3% from 60.2% of Last Year. The decrease was mainly because the accumulated and deferred market demand for burial plot services was released in Last Year, resulting in quick sales rebounds among the cemeteries to different levels, better margin and higher comparative revenue base. However, with lower sales volume and the existence of the fixed costs (depreciation and amortization), the operating profit margin of the burial services slid during the Year. In addition, given that two cemetery projects' business performance did not meet the expectation and after prudent evaluation of their updated business environment, historical financial records as well as future market projection, impairment losses of RMB104.2 million were recognized on the related assets of these two projects, resulting in further decline of the operating profit margin of the burial services.

Funeral facilities started to resume normal operations during Last Year, and the increase in funeral service volume has increased the marginal effect of sales revenue. During this Year, the service volume group wide declined on the prior year's higher comparative base. In addition, the facilities, which render comparatively higher value-added services have reported a reduction in service volume during the Year. For instance, the facilities in Chongqing have seen a decrease in service volume due to fiercer local competition as well as the temporary suspension of business operation upon office refurbishment. The aforesaid resulted in a decline of the operating profit margin of the Group's funeral services.



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During the Year, other services segment recorded an operating loss of RMB27.4 million, mainly arising from the continued investments in the research and development of technology and products of cremation machines and Fu Shou Cloud, which are our two strategic segments; partly offset by the construction and design services. We are optimistic about the future of the business on our environmental-friendly cremation machines under the back-drop of tightening of the rules and regulations on environmental protection by the government. Fu Shou Cloud focuses on the application of technology in combined death care and “Internet + death care” services, which is an important direction of the future development of the Group.

FINANCE COSTS

Finance costs for the Year consisted of interest expenses of RMB9.1 million (Last Year: RMB2.1 million) on overseas bank loan designated for the purpose of dividend payout. Finance costs for the Year consisted of interest expenses of RMB0.8 million (Last Year: RMB0.9 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities and other long-term liabilities of RMB6.5 million (Last Year: RMB4.4 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. In addition to the registered capital, our Group and such non-controlling shareholders jointly provided funding to these subsidiaries for their land acquisition and cemetery development via shareholders’ loan in accordance with the respective shareholding percentages. 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, a gain recognized by a subsidiary arising from the receipt of a waiver of long term debt and etc. Interest income and gains from unlisted cash management products during the Year amounted to RMB66.6 million, representing an increase of RMB9.6 million or 16.8% as compared to Last Year; a gain of RMB43.4 million was recognized by Zhuolu Yuanbaoshan, a subsidiary of the Group upon the agreements of some debt waivers from the creditors; government grants received for the Year was RMB27.5 million, representing a reduction of RMB2.4 million or 8.0% compared to Last Year. Such gains were partially offset by the total exchange loss for this year of approximately RMB15.0 million, as compared to Last Year’s exchange gain of RMB1.6 million.

INCOME TAX EXPENSE

Under the EIT Law and its Implementation Regulations, our PRC subsidiaries are subject to the tax rate of 25% since January 1, 2008.

During the Year, income tax expenses recorded RMB313.2 million, representing a decrease of RMB142.5 million or 31.3% as compared to Last Year. The decrease is the combined effect of 1) decreased taxable income in line with the decline of the revenue; and 2) the applicable tax rates of the withholding tax on the relevant profits remitted from domestic subsidiaries to Group’s overseas intermediate holding company decreased to 5% since the Group qualified for the requirements of the relevant bilateral tax agreement.



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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 RMB373.1 million, representing a decrease of RMB418.1 million or 52.8% as compared to Last Year.

CASH FLOW

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

	2024 (RMB'000)	2023 (RMB'000)
Net cash generated from (used in)		
— operating activities	731,628*	1,222,548*
— investing activities	107,745*	(481,796)*
— financing activities	<u>(1,078,214)</u>	<u>(387,518)</u>
Total	<u>(238,841)</u>	<u>353,234</u>

* A classification made by the management does not comply with International Financial Reporting Standards, however, the management considers 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 RMB708.5 million (Last Year: RMB1,102.9 million) and the net cash generated from investing activities disclosed in the audited financial statements amounted to RMB130.8 million (Last year: net cash used of RMB362.1 million). During the Year, an amount of RMB23.1 million (Last Year: RMB119.7 million) relating to the payment for cemetery land acquisition was here classified under the cash used in investing activities, instead of cash generated from operating activities.

We generated our cash from operating activities primarily from proceeds of our death care service businesses. Our cash used in operating activities is primarily for the development and construction of burial plots, and other operating expenditures, also including dividend income tax expenses paid when distributing dividends overseas. Our net cash generated from operating activities amounted to RMB731.6 million for the Year, representing a decrease of RMB490.9 million or 40.2% as compared to the same period of Last Year, which was primarily due to the decrease in revenue, and the increased withholding tax payments arising from the dividends paid from domestic subsidiaries to overseas intermediate holding company within the Group.

Our net cash received from investing activities amounted to RMB107.7 million during the Year. It was primarily due to: (i) net amount of withdrawal of time deposits, entrusted loans and other financial assets of RMB169.3 million; (ii) the interests and gains from unlisted cash management products received of RMB59.3 million; which were partially offset by (iii) payment of RMB78.7 million for building new burial and funeral facilities and capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities; (iv) payment of RMB23.1 million for the acquisition of cemetery lands; (v) investment in equity fund totalling RMB15.0 million; and (vi) payment of RMB4.7 million for the acquisition of operating rights of subsidiaries, cemeteries and funeral parlors as well as other investments.



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Our net cash used in financing activities amounted to RMB1,078.2 million during the Year. It was primarily due to: (i) final dividends for 2023 and interim dividends for 2024 as well as the special dividend paid to Shareholders in the amount of RMB720.4 million; (ii) repayment of bank loan of RMB200.0 million; (iii) dividends paid by subsidiaries to their non-controlling shareholders of RMB132.2 million; (iv) repayment of lease payment and other long-term liabilities of RMB25.7 million; (v) payment of bank loan interest of RMB11.5 million; which were partially offset by (vi) receipt of non-controlling shareholders' investment of RMB11.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2024, we had bank balances and cash of RMB2,056.6 million (December 31, 2023: RMB2,295.5 million), time deposits of RMB188.4 million (December 31, 2023: RMB167.7 million) and unlisted cash management products of RMB589.2 million (December 31, 2023: RMB776.5 million). Such financial assets represent cash management products with relatively lower risk ratings, which are repayable on demand and have maturity dates shorter than six months, or are repayable upon notice of withdrawn by the Company at its discretion. Such assets are highly dispersed and are managed by certain state-owned banks, with expected annualized return rates ranging from 1.38% to 3.05%. To support our expansion strategy, we hold a relatively high level of cash. In order to moderately increase capital returns, under the premise of ensuring safety and liquidity, we have allocated a part of treasury fund to short-term cash management products. Such products are issued and managed by state-owned banks and have clearly-specified expected return rates, maturity dates or are immediately redeemable. Even though the principals and return rates of such products are in theory and as stipulated, determined by reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, and not guaranteed by the issuing banks, they are secured in substance considering the features and historical performance of such products and present situation of bank system in the PRC. We internally regard our treasury fund put in such cash management products as part of our cash balance, however, from the accounting point of view, they are classified as the financial assets at fair value through profit or loss. In the foreseeable future, we expect to fund our capital expenditure, working capital and other capital requirements from the cash generated from our operations, bank borrowings, and other financing channels. The Board confirmed that the transactions in financial assets for the Year, on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at December 31, 2024, we had no outstanding bank borrowings.

In addition, we had RMB10.0 billion of comprehensive bank credit line as at December 31, 2024.

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, 2024 was 0.5% (December 31, 2023: 3.5%). 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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, 2024, the amount denominated in RMB, HK\$, and US\$ under the financial assets, time deposits, bank balances and cash accounted for 80.3%, 18.4% and 1.3%, 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

There were no other material acquisitions or disposals of subsidiaries and affiliated companies of the Group during the Year.

SIGNIFICANT INVESTMENTS

As at December 31, 2024, the Group did not hold any significant investments (December 31, 2023: Nil).

CHARGES ON ASSETS

As at December 31, 2024, the Group did not have any charges over assets (December 31, 2023: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at December 31, 2024, the Group has no specific plans for any material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As of December 31, 2024, the trustee of the Restricted Share Incentive Scheme held 48,800,000 Shares purchased from the secondary market and the above Restricted Shares have not been granted to eligible participants. There was no grant of Restricted Shares to the eligible participants during the Year.

As at December 31, 2024, we had 2,198 full-time employees (December 31, 2023: 2,417 full-time employees). We offer competitive packages and benefits to our staff. We also make contributions to social security insurance funds in accordance with applicable laws and regulations. Furthermore, we provide staff training and development programs and performance-based bonus to ensure that our employees are equipped with necessary skills and are remunerated according to their performance.

CAPITAL COMMITMENT

We contracted, but not provided in the financial statements, for capital expenditure in respect of acquisition of subsidiaries, land use rights, other investments, cemetery assets and property and equipment in a total amount of approximately RMB48.2 million as at December 31, 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

CEMETERY LANDS AVAILABLE

The saleable area for burial plots was approximately 2.83 million sq.m. as at December 31, 2024 (December 31, 2023: approximately 2.85 million sq.m.), which is sufficient to satisfy the needs of the Group's sustainable operation in the long run. When we determine the saleable area of each cemetery, we have already estimated and excluded those areas not for construction of tombs, such as the areas in connection with business centres, office buildings, landscaping and main roads. Such estimation may be updated from time to time as our development plan may be improved from time to time.

CONTINGENT LIABILITIES

As at December 31, 2024, we had no contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event that might affect the Group subsequent to the Year.

PROSPECTS

Looking ahead, we will strive to explore a new development model of the industry, reach the goal to carrying memory and emotion by the Internet technology and building the wisdom, efficient, environmental protection, warm service system, inject new connotation into the industry, continue to lead the industry reform and improve the service level. 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. We will actively transform from a death care service provider to a death care and life technology service provider, with the aim of offering high-quality life services and technology-driven commemorative services, promoting industry change and advancing social civilization.

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.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Bai Xiaojiang (白曉江), aged 67, is the chairman, an executive Director and the chairman of the Nomination Committee. Mr. Bai is responsible for the overall strategic planning and business development of the Group. Mr. Bai has been the chairman of Shanghai Fu Shou Yuan since 1996. He has also been the president and chairman of Zhongfu since 1996. Mr. Bai is the director of each of Zhongfu and Shanghai Zhongfu. Mr. Bai has been a director of Perfect Score since November 2015 and a director of Alliance Rise since May 2015. He is also the chairman of Chongqing FSY Group. He acted as one of the promoters of each of NGO 1 and NGO 2. Mr. Bai has more than 27 years of experience in the death care services industry in the PRC and has served the Group for 27 years. Mr. Bai had recognized accomplishments through his holding of senior engineering and business positions in the PRC, such as his senior role in the construction of the Lupu bridge in Shanghai. Mr. Bai is also a member of the 6th, 7th and 8th central committee of the China Democratic National Construction Association (中國民主建國會) and a member of the 8th, 9th, 10th and the 12th Chinese People's Political Consultative Conference, Shanghai. Currently, Mr. Bai is the thirteenth vice president of the Shanghai General Chamber of Commerce, the vice president of the Hong Kong China Chamber of Commerce, the executive chairman of the Hong Kong-Mainland International Investment Society, an executive council member of China Charity Federation and an executive council member of China Society for Promotion of the Guangcai Program.

Mr. Bai served as a general manager in China Welfare Enterprise (Huadong) Company* (中國福利企業華東公司), the predecessor of Zhongfu, during the period from 1990 to 1995. Mr. Bai was a technician, manager of the technology department, assistant to general manager, vice general manager and general manager of China Kanghua Industrial Co., Ltd.* (中國康華實業有限公司), the predecessor of China Welfare Enterprise (Huadong) Company* (中國福利企業華東公司), between 1987 and 1990. Mr. Bai was awarded a bachelor's degree in computer science by the Shanghai Second Polytechnic University in 1986.

Mr. Tan Leon Li-an (談理安), aged 60, is the vice-chairman and an executive Director. Mr. Tan is responsible for the overall strategic planning and business development of the Group. Mr. Tan was a director of Shanghai Fu Shou Yuan from December 2006 to December 2017, a director of Hefei Dashushan Co. from December 2006 to February 2014 and the vice chairman of Chongqing FSY Group from May 2011 to September 2014. Mr. Tan was a director of FSG Holding from December 2011 to August 2014.

Prior to joining the Group, Mr. Tan had served as the director and the chief operation officer of the paper packaging division of Pacific Millennium Group* (國際濟豐集團) since he joined the group in 1989. He also served as the chief executive officer of a joint venture company jointly owned by Pacific Millennium Group and International Paper Company between March 2001 and July 2005.

Mr. Tan graduated from University of California, Berkeley with a bachelor's degree in physical sciences in August 1986 and received a master's degree in business administration from University of Southern California in August 1987.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Jisheng (王計生), aged 72, is an executive Director and the chief executive of our Group. Mr. Wang is responsible for the overall management and business operation and strategic planning and business development of the Group. Mr. Wang was the managing director of Shanghai Fu Shou Yuan between 1996 and 2019. He is also the president of Shanghai FSY Corporate Management Consultancy. He acted as one of the promoters of NGO 2. Mr. Wang has more than 30 years of experience in the death care services industry in the PRC and has served the Group for more than 30 years.

Mr. Wang has been a lecturer of courses organized by China Funeral Association for the senior management of cemeteries since 1999. Prior to that he was appointed as the deputy general manager of Zhongfu in 1991. Mr. Wang worked as a teacher in the Shanghai Institute of Foreign Trade between 1980 and 1991. Mr. Wang was a teacher and counselor at local schools in Jiqing, Anhui between 1971 and 1980.

Mr. Wang is a renowned figure in the PRC death care services industry. Mr. Wang served as the Vice President of the China Funeral Association from 2012 to 2025. Mr. Wang has completed the Senior Executive Program organized by the Faculty of Business Administration of the National University of Singapore in November 2001 and the China CEO Management Innovation Executive Program organized by Shanghai Jiaotong University in August 2004. Mr. Wang was awarded as the national honorary model of labour in April 2015.

Mr. Wang has been an independent non-executive director of Pacific Millennium Packaging Group Corporation (SEHK stock code: 1820) since December 2018.

NON-EXECUTIVE DIRECTORS

Mr. Lu Hesheng (陸鶴生), aged 75, is a non-executive Director. Mr. Lu is a senior engineer. He has more than 29 years of experience in the death care services industry in the PRC.

Since 2001, he serves as the director and general manager of Shanghai Nam Kwong Petro-Chemical Co., Ltd. Between 1991 and 2001, he was deputy general manager of Zhongfu, chairman and general manager of China Zhongfu Petrochemical Industry Co., Ltd.* (上海中福石油化工實業有限公司), and vice chairman and general manager of Shanghai Zhongfu International Trading Co., Ltd. From 1986 to 1990, he was general manager of Shanghai Exhibition Centre Co., Ltd.* (上海展覽中心友聯公司).

From 1973 to 1985, Mr. Lu worked at the science and technology division, the information data department and the equipment supply department of Shanghai Petrochemical Company Ltd., and held the positions of a deputy secretary and the secretary to the Party Committee.

Mr. Lu graduated from Shanghai University of Engineering Science with a higher certificate in sales and exhibition in June 1990.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang James Chih-Cheng, aged 66, is a non-executive Director. Mr. Huang has been a general manager of Chongqing Stone Tan Financial Leasing Co., Ltd. since April 2015 and had been the chief financial officer of Big Earth Publishing, Boulder, Colorado, since 2011 up to October 31, 2014. Prior to those, Mr. Huang served in various senior management positions within Pacific Millennium Holding Corporation. Prior to joining Pacific Millennium Holding Corporation, Mr. Huang served as corporate accounting manager at Electronic Data Systems in Dallas, Texas, from 1984 to 1987. He had also served as president of Energy System International, Beijing from 2003 to 2006; member of the board between 1994 and 2000 and subsequently elected as chairman of the board between 1999 and 2000 for Millennium Bank, San Francisco, California.

Mr. Huang graduated from McMaster University in Canada with a bachelor's degree in Economics in May 1982. He also completed an advanced management program sponsored by the Wharton School of Business at the University of Pennsylvania (U.S.A.) in March 1999. Mr. Huang has been a qualified certified public accountant in Texas (U.S.A.) since January 1989. Mr. Huang is currently not a practicing certified public accountant.

Ms. Zhou Lijie (周立杰), aged 50, is a non-executive Director. Ms. Zhou has over 24 years of work experience in the investment industry. Ms. Zhou is currently the investment director of Sunshine Asset Management Co., Ltd.* (陽光資產管理股份有限公司). From 2001 to 2009, Ms. Zhou served as research supervisor of Beijing HaiWen Consultants Co., Ltd.* (北京海問諮詢有限公司). From 2009 to 2020, Ms. Zhou successively served as deputy director of the Asset Management Center of Sunshine Insurance Group Co., Ltd.* (陽光保險集團股份有限公司), and senior research manager, assistant to general manager, deputy general manager and general manager of the research department of Sunshine Asset Management Co., Ltd.

Ms. Zhou obtained a bachelor' degree in investment economics from Renmin University of China (中國人民大學) in 1998 and a master' degree in financial management from Tianjin University of Commerce (天津商學院) in 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luo Zhuping (羅祝平), aged 73, is an independent non-executive Director and the chairman of the Remuneration Committee. Mr. Luo has held various positions in China Eastern Airlines (中國東方航空公司) since 1988. He served as the deputy chief and then chief of the enterprise management department of China Eastern Airlines from 1992 to 1997 and the deputy head of the share system office from 1993 to 1996. Mr. Luo served as the board secretary of China Eastern Airlines Corporation Limited (SEHK stock code: 670) for 15 years from December 1996 to April 2012. He became a director of the China Eastern Airlines Corporation Limited from June 2004 to June 2013.

Mr. Luo graduated from the Faculty of Philosophy of Anhui Labor University (安徽勞動大學) in August 1979 and the Faculty of Law of Anhui University (安徽大學) in July 1986. Mr. Luo pursued a postgraduate master's degree majoring in global economics at the Economics Department of Eastern China Normal University (華東師範大學) between 1992 and April 1994. In September 1998, he participated in an Executive Study Tour organized in the U.S. by the State Economic and Trade Commission (國家經濟貿易委員會) and Morgan Stanley. He also completed a CEIBS-Wharton Joint Program in Corporate Governance and Board of Directors in August 2008. Mr. Luo holds an independent director certificate issued by the Shanghai Stock Exchange in April 2012 and a corporate governance certificate issued by the Hong Kong Institute of Directors in November 2004.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Man (何敏), aged 55, is an independent non-executive Director and the chairman of the Audit Committee. Mr. Ho has over 26 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu-based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009.

Mr. Ho served as an independent non-executive director of Magnus Concordia Group Limited (SEHK stock code: 1172) from January 2018 to August 2022; an independent non-executive director of Wanjia Group Holdings Limited (SEHK stock code: 401) from February 2018 to April 2024 and an independent non-executive director of Grand Ocean Advanced Resources Company Limited (SEHK stock code: 65) from January 2020 to April 2024. All of the companies mentioned above are listed on the Main Board of the Stock Exchange.

Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a President of the Hong Kong Institute of Chartered Financial Analysts, a certified public accountant, a private equity M&A investor, a university lecturer, and a columnist. Under the pseudonym "Alvin Ho" (艾雲豪), he has written books such as "Superstar Economics", "Who Stole the Red Devils?" and "RISE FROM CRISES".

Ms. Liang Yanjun (梁艷君), aged 41, is an independent non-executive Director and chairman of the Compliance Committee. Ms. Liang has over 18 years of experience in legal service and many years of relevant experience in securities and capital markets. Prior to joining the Group, Ms. Liang worked as legal assistant in Beijing Zhongke Fuqiao Technology Co., Ltd.* (北京中科富橋科技有限公司) from August 2006 to November 2007, CEO assistant in Global Energy Investment Co., Ltd.* (環球能源投資有限公司) from December 2007 to February 2009, assistant of the minister in exchange department of China Center for International Economic Exchanges* (中國國際經濟交流中心) from March 2009 to February 2010, a lawyer in Beijing Jingtian & Gongcheng* (北京市競天公誠律師事務所) from December 2010 to May 2016, lawyer and kernel group member in Beijing Maode Attorneys At Law* (北京懋德律師事務所) from 2016 to March 2019, an independent non-executive director in Shanghai Dongzheng Automotive Finance Co., Ltd.* (上海東正汽車金融股份有限公司) (SEHK stock code: 2718) from August 2018 to April 2024, a partner-level lawyer in B&D Law Firm* (北斗鼎銘律師事務所) from April 2019 to August 2019 and a partner-level lawyer in Javy Lawyers* (北京嘉維律師事務所) from September 2019 to present.

Ms. Liang obtained a bachelor's degree in the science of law from China University of Political Science and Law (中國政法大學) in June 2005. She received her lawyer's practicing certificate of the PRC granted by the Ministry of Justice of the PRC in March 2011. She was awarded the Qualifications for Directors of Non-bank Financial Institutions in August 2018 and received the Qualification of Independent Directors issued by the Shanghai Stock Exchange in November 2018.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Xin (陳欣), aged 49, is the independent non-executive Director. Mr. Chen has over 24 years of experience in finance and investment industries. From 1997 to 2000, Mr. Chen successively served as assistant trade service manager, assistant banking services manager and project finance executive in The Hongkong and Shanghai Banking Corporation Limited. From 2002 to 2011, Mr. Chen successively served as associate and vice president of the corporate finance group of the investment banking division and executive director of the Asian Special Situations Group (ASSG) in Goldman Sachs (Asia) L.L.C. Mr. Chen served as head of China in Permira Advisors (Asia) Limited from 2011 to 2014, served as founding partner of Fides Capital Investors I, L.P. from 2014 to 2017, served as head of direct investment in CMBC Capital Holdings Limited from 2017 to 2018, served as a partner, managing director and head of private equity investment in Ally Bridge Group from 2018 to February 2020, served as the president of Fosun Capital Flagship Fund and head of investment in Guangdong-Hong Kong-Macao Greater Bay Area from February 2020 to July 2023, served as the General Manager of Strategic Capital at Fosun Group from July 2023 to July 2024.

Mr. Chen served as non-executive director of Cosmo Lady (China) Holdings Company Limited (SEHK stock code: 2298) from February 2022 to October 2022, and served as non-executive director of Beijing Airdoc Technology Co., Ltd. (SEHK stock code: 2251) from May 2022 to December 2023.

Mr. Chen obtained a bachelor's degree of arts in Finance from Fudan University in 1997, a master's degree in Economics from The Hong Kong University of Science and Technology in 2000 and a master's degree in business administration from The Yale School of Management, major in finance and business strategy, in 2002, respectively.

SENIOR MANAGEMENT

Mr. Wang Jisheng (王計生) is our executive Director and the chief executive of the Group. For Mr. Wang's biography, see "Executive Directors" above.

Mr. Ma Jianting, Sam (馬劍亭), aged 44, is our chief financial officer. He has over 21 years of work experience in finance and auditing, and has extensive experience in financial management, internal control and auditing and merger and acquisition. Prior to joining the Group, Mr. Ma had served in various positions in China Minsheng Investment Group Corp., Ltd. ("China Minsheng Investment Group") and its subsidiaries or the companies it has invested in, including acting as a non-executive director and member of the audit committee, investment committee and remuneration committee of China Medical & HealthCare Group Limited (SEHK stock code: 383) from August 2019 to June 11, 2020; the head of finance team of China Minsheng Investment Group from October 2019 to May 2020; the chief financial officer of CMIG Asia Asset Management Co., Ltd. from July 2017 to May 2020; a non-executive director of China Minsheng Financial Holding Corporation Limited (now known as China Vered Financial Holding Corporation Limited) (SEHK stock code: 245) from November 2017 to February 2019; and a senior manager of the finance and accounting department of China Minsheng Investment Group from June 2017 to July 2017. From September 2003 to May 2017, he worked in the audit department in Shanghai office of Ernst & Young Hua Ming LLP and his last position was an audit senior manager, during which from September 2008 to March 2010, he was assigned to Manchester office of Ernst & Young (United Kingdom) as an audit executive.

Mr. Ma obtained a Bachelor's Degree in English (Finance and Business) from Shanghai Jiao Tong University in June 2003, and holds the qualification of PRC Certified Public Accountant (CICPA).



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu Qiming (祝启铭), aged 37, is our secretary to the Board, joint company secretary and the general manager of the board secretary office of the Company (the “**Board Secretary Office**”). He joined the Company since 2011. From 2011 to 2014, he worked successively in the marketing department, brand management department, office of the general manager and initial public offering preparatory team of the Group. From 2014 to 2022, he served successively as the supervisor of the Board Secretary Office, manager and the assistant to general manager of the Board Secretary Office. Mr. Zhu is responsible for the capital market management, investor relationship management, information disclosure, corporate governance and corporate structure management of the Company. Mr. Zhu obtained a bachelor’s degree in economics from Shanghai University (上海大學) in 2010, obtained an Occupational Qualification Certificate of cemetery manager (墓園管理員) issued by the Ministry of Human Resources and Social Security of The People’s Republic of China (中華人民共和國人力資源和社會保障部) in 2011, completed an advanced seminar on business administration and big data industry (工商管理與大數據產業高級研修班) at Shanghai Jiao Tong University Education Group (上海交通大學教育集團) in 2018, obtained a qualification certificate of board secretary issued by Shanghai Stock Exchange (上海證券交易所) in 2021, he became a fellow member of The Institute of Public Accountants, Australia and a fellow member of The Institute of Financial Accountants, United Kingdom in 2024. Mr. Zhu won the “Best Secretary of the Year 2023” awarded by “Ju Dong Mi” (聚董秘) in 2023, won the Annual Outstanding Board Secretary Award of the Sixth Golden Award and the ESG Excellence Leadership Award in 2024.



DIRECTORS' REPORT

The Board presents the directors' report together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are mainly engaged in the provision of burial services and funeral services. The Group's subsidiaries also carry on provision of designing services for cemeteries and funeral parlours, manufacturing of cremation devices and sales and after-sales service of cremation devices. Details of the subsidiaries of the Company are set out in Note 43 to the financial statements.

RESULTS OF OPERATIONS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this Annual Report.

FINANCIAL SUMMARY

The financial summary of the Group between 2020 and 2024 is set out on page 161 in the section "Financial Summary" of this Annual Report.

BUSINESS REVIEW

During the year ended December 31, 2024, the Group realized the sale of 16,504 tombs and provided funeral services to 65,143 customers and recorded total revenue of RMB2,077.5 million, made a net profit totalling RMB497.3 million, and net profit attributable to our shareholders of RMB373.1 million.

As at December 31, 2024, we operated 34 cemeteries, and 31 funeral facilities throughout the PRC. Our business coverage has expanded to over 40 cities across 19 provinces, autonomous regions or municipalities in China. The expanding business footprints lay a good foundation for our future development.

For more details of the business development and performance of the Group for the Year, please refer to the section headed "Management Discussion and Analysis" of this Annual Report. The above section forms part of this report.

Principal risks and uncertainties

As the death care industry in China is originated from a long cultural history, it features a geographically distinctive and traditional operation model. The conventions of such industry are now facing challenging innovation and the maturity of relevant regulations remains to be seen while the world keeps progressing and updating. In a leading position of China's death care industry, the Group is committed to leading the modernization reform of the death care business in China so as to reduce the risk arising from outdated regulations for the industry.

The death care industry in China, subject to the strict requirement of relevant regulations imposed by the government, is a highly regulated industry. There are strict restrictions on licenses and land supply which pose risks and uncertainties on the Group's business expansion.



DIRECTORS' REPORT

One of the important strategies of the Group is to accomplish business expansion through mergers and acquisitions. However, the success of such strategy depends on a number of uncertainties, which mainly include: whether the acquired targets have any hidden debts and unknown potential litigations, whether we can integrate the acquired targets properly and enhance their value added, and whether there are sufficient skilled and qualified managerial personnel to satisfy the market needs during our expansion.

Requirements and restrictions still exist in China on fund flow under capital accounts, which may affect the Group's flexibility to make use of global funds to implement business expansion and our ability to distribute dividends to foreign investors.

For more details of other risks and uncertainties faced by the Group, please refer to the Prospectus. For risks of climate change, please refer to the 2024 Sustainability Report published separately by the Company.

Events occurred since the end of the financial year

For details of the events occurred since the end of the financial year of the Group, please refer to the section headed "Events after the Year" of the section "Management Discussion and Analysis" of this Annual Report.

Future development

For more than a decade since its listing, the Group has been striving to consolidate its leading position in the death care industry in China through its operation strategies.

Looking ahead, we will strive to explore a new development model of the industry, reach the goal to carrying memory and emotion by the Internet technology and building the wisdom, efficient, environmental protection, warm service system, inject new connotation into the industry, continue to lead the industry reform and improve the service level. 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. We will actively transform from a death care service provider to a death care and life technology service provider, with the aim of offering high-quality life services and technology-driven commemorative services, promoting industry change, and advancing social civilization.

Meanwhile, we will strive to make our cremation machine business become an important segment of the Group's business. With much effort in 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 investors with the best returns.



DIRECTORS' REPORT

Environmental policies and performance

The Group has always adhered to the sustainable development philosophy of “transforming cemeteries into parks, farewells into beautiful moments and ceremony into commemoration” and is committed to making breakthroughs in ideas, products, services, culture, art, science and technology, integrating the concept of green, ecology, art, humanities into funeral culture, guiding the death care service return to the cultural essence of emotional needs, promoting Chinese traditional culture, leading the development and reform of China’s modern death care industry.

The Group engaged in assistance and poverty alleviation in many regions and relied on public welfare foundation to shoulder social responsibility and create social value. We always keep in mind that today’s peace comes from predecessors’ efforts. The Group sees their spirits as cultural inheritance and imbeds into education campaigns organized by us. Also, we combine the life and emotion to build a long-term social value.

We value the Company’s talents development, safeguard their rights and interests, and create a green and sound work environment to prevent our staff’s rights and interests from being infringed. Moreover, we provide well-established training systems for staff and cultivate a united work team. Focusing on the promotion of concepts and ideas, Fu Shou Yuan continuously deepens its communication with global peer workers for cultural exchange. Meanwhile, we attract more social talents and young people to join us.

We actively respond to the national “Carbon Peaking and Carbon Neutrality” goals, systematically conduct carbon inventory work, and have successively obtained “carbon neutral” certifications. We promote the development of stone-reducing and ecological land-saving burials, advocate smoke-free cemeteries and green memorial practices, and construct century-lasting ecological cemeteries using resource-saving and environment-friendly materials and processes.

We prioritize inheritance, saving and efficiency as key point for future development of life service industry. Following the philosophy of conserving lands, promoting livelihood and commemorating and inheriting, we explore new continuation methods for spiritual life value and map out a blueprint for sustainable development. Going forward, we will continue to promote the understanding of the concept of life service among our staff and customers, fulfilling business, industrial, social, historical and public responsibilities and provide premium life service.

Fu Shou Yuan was awarded AA rating in MSCI ESG rating, taking a leading position among its peers in the globe. Furthermore, we have been consistently selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, fully demonstrating Fu Shou Yuan’s wide recognition in sustainable development.

Please refer to the 2024 Sustainability Report of the Company published separately for more details of the Group’s sustainability policy and performance.

Compliance with the relevant laws and regulations

The Group recognizes the importance of compliance with regulatory requirements. The Group has set up various internal control systems and allocated human resources to ensure ongoing compliance with rules and regulations, and to maintain cordial working relationships with regulators through effective communications. During the Year, to the best of our knowledge, the Group has complied with all of the relevant laws and regulations in the PRC and Hong Kong, including but not limited to the Company Law of the People’s Republic of China, the Hong Kong Securities and Futures Ordinance (Cap. 571), the Listing Rules and the Regulations on Funeral and Interment Control.



DIRECTORS' REPORT

Relationships with stakeholders

The Group's success also depends on the support from key stakeholders which comprise our employees, customers, suppliers, regulators and shareholders.

Employees

Our success depends on our qualified and skilled employees and we believe employees are the most valuable resource and wealth of the Group. Our Group adheres to the value of people orientation and our goal is to constantly maximize our employee value and enterprise value. Therefore, we developed a set of internal training programs and provide a wide range of education and development opportunities for our employees. The Group also provides competitive remuneration package to attract and motivate the employees. Performance appraisal and interview is held for reviewing the remuneration package of employees and making necessary adjustments to conform to the market standard. We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As at December 31, 2024, we had 2,198 full-time employees (December 31, 2023: 2,417).

Customers

The Group attaches extremely great importance to customer services and is committed to providing quality services and products to our customers while maintaining long-term business growth. We conduct monthly call-back interviews for customer satisfactory survey and made summary and analysis of customer opinions and provides feedback to our customer after internal communication. We recognize the important role of customers in our success and will continue to enhance the quality of our services and products.

Suppliers

Our suppliers mainly include tombstone producers, landscaping companies and so forth. Our Group has a complete set of purchasing system with regard to suppliers, in order to safeguard the interests of our Group as well as giving an impetus to suppliers. Evaluation is conducted on suppliers to define the service scope and responsible person of each suppliers, and guarantees the product and service quality and interests of suppliers. Our Group established our "Environment and Labor System for Suppliers" in 2016 and has implemented in 2017, in order to improve the screening standard on suppliers and join hands with them for common growth.

Regulators

The Group operates in the death care sector which is regulated by the Ministry of Civil Affairs of the PRC and other relevant regulators. The Group maintains cordial working relationships with regulators through effective communications and ensures compliance with rules and regulations.

Shareholders

One of the Group's objectives is to enhance corporate value to our Shareholders. We are poised to foster business development for achieving sustainability of earning growth and reward our Shareholders by stable dividend payouts taking into account liquidity positions and business expansion needs of the Group.

For more details of the relationship with stakeholders of the Group, please refer to the 2024 Sustainability Report of the Company published separately.



DIRECTORS' REPORT

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommended the payment of a final dividend of HK9.54 cents per Share for the year ended December 31, 2024 (2023: HK6.86 cents per Share). The final dividend will be payable on Friday, June 27, 2025, subject to the approval of the Shareholders at the AGM. The final dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, June 17, 2025. Subject to the Companies Act, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve of our Company lawfully available for distribution including share premium.

On January 24, 2025, the Board declared a special dividend (the “**Special Dividend**”) of HK\$38.82 per Share to be paid in three tranches: 1) the Special Dividend of HK17.24 cents per Share is expected to be payable on Friday, April 25, 2025 to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, April 11, 2025 (“**Payment I**”), 2) the Special Dividend of HK10.79 cents per Share is expected to be payable on Friday, July 25, 2025 to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, July 15, 2025 (“**Payment II**”), 3) the Special Dividend of HK10.79 cents per Share is expected to be payable on Friday, October 31, 2025 to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, October 16, 2025 (“**Payment III**”). For more details, please refer to the announcement of the Company dated January 24, 2025.

We also intended to distribute to our shareholders no less than 35% of our net distributable profit since the year ended June 30, 2022 and for each fiscal year thereafter. However, we will re-evaluate our dividend policy annually.

CLOSURES OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Monday, May 19, 2025 to Thursday, May 22, 2025, both days inclusive. During the above period, no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, May 16, 2025.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Friday, June 13, 2025 to Tuesday, June 17, 2025, both days inclusive. During the above period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, subject to the approval of the Shareholders at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, June 12, 2025.

For information of the closure of register of members for the Payment I, Payment II and Payment III, please refer to the announcement of the Company dated January 24, 2025.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 43 to the audited consolidated financial statements.



DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2024, purchases from the Group's five largest suppliers accounted for 27.4% (2023: 26.2%) of the Group's total purchases and purchases from our single largest supplier accounted for 6.9% (2023: 9.1%) of the Group's total purchases.

During the year ended December 31, 2024, the combined revenue from the five largest customers did not exceed 30% of the total revenue of the Group.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interests in the Group's five largest suppliers and customers.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2024 are set out in Note 13 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended December 31, 2024 are set out in Note 33 to the audited consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity on page 66 of this Annual Report and Notes 34 and 45 to the audited consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Details of the Company's reserves available for distribution to the Shareholders, calculated in accordance with the provisions of the Companies Act, as at December 31, 2024, are set out in Note 45 to the audited consolidated financial statements.

BORROWINGS

As at December 31, 2024, the Group did not have any bank borrowings (December 31, 2023: RMB200 million).

TAXATION

If Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult their tax adviser.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Year. There are no treasury Shares held by the Company (whether held directly or deposited in the Central Clearing and Settlement System or otherwise) as at December 31, 2024 and the date of this Annual Report.



DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated, under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CHARITABLE DONATIONS

During the year ended December 31, 2024, the Group made approximately RMB1.75 million charitable and other donations.

DIRECTORS

The Directors during the year ended December 31, 2024 and up to the date of this Annual Report are:

Executive Directors

Mr. Bai Xiaojiang (*Chairman*)

Mr. Tan Leon Li-an (*Vice-Chairman*)

Mr. Wang Jisheng (*Chief Executive*)

Non-executive Directors

Mr. Lu Hesheng

Mr. Huang James Chih-Cheng

Ms. Zhou Lijie

Independent Non-executive Directors

Mr. Luo Zhuping

Mr. Ho Man

Ms. Liang Yanjun

Mr. Chen Xin

The biographical details of the Directors and senior management are set out in the section “Profiles of Directors and Senior Management” of this Annual Report.

In accordance with Article 108 of the Articles of Association, Mr. Bai Xiaojiang, Mr. Wang Jisheng, Mr. Huang James Chih-Cheng and Mr. Chen Xin shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years, each of such service agreements may be terminated by not less than one month's notice in writing served by either party on the other.

Each of the non-executive Directors and independent non-executive Directors was appointed to the Board pursuant to the respective letters of appointment for a term of three years. Each of such appointments may be terminated by not less than one month's notice in writing served by either party on the other.

Save as disclosed above, no Director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than the normal statutory compensation.



DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to the factors set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for as disclosed under the section headed “Permitted Indemnity Provision” in this Annual Report, no transaction, arrangement and contract of significance to which the Company, or any of its holding companies or subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended December 31, 2024 or at any time during the year ended December 31, 2024. In addition, no contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries was made.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2024, none of the Directors nor their respective associates (as defined in the Listing Rules) had interests in businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2024.

REMUNERATION OF DIRECTORS

In compliance with the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. Directors' remuneration is subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. No Director, or any of their respective associates, was involved in deciding his/her own remuneration.

Details of the remuneration of the Directors and the five highest paid individuals during the year ended December 31, 2024 are set out in Note 9 to the audited consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.



DIRECTORS' REPORT

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme and Restricted Share Incentive Scheme of the Company as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2024.

RESTRICTED SHARE INCENTIVE SCHEME

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As at each of January 1, 2024 and December 31, 2024, the trustee of the Restricted Shares Incentive Scheme held 48,800,000 shares while no Restricted Shares were granted under the Restricted Share Incentive Scheme. As at each of January 1, 2024 and December 31, 2024, the number of Shares (the “**Restricted Shares**”) available for grant under the Restricted Share Incentive Scheme is 67,444,812 Shares, representing approximately 2.9% of the total issued shares of the Company. As at December 31, 2024, the total number of shares available for issue under the Restricted Share Incentive Scheme was 18,644,812, representing approximately 0.8% of the issued Shares as at the date of this report.

The Board may, at its sole discretion, determine which eligible participant(s) shall be entitled to receive grants of Restricted Shares under the Restricted Share Incentive Scheme, together with the number of shares to which each selected participant shall be entitled, and make the relevant grant of Restricted Shares to the selected participants under the Restricted Share Incentive Scheme subject to such conditions as the Board may deem appropriate at its discretion.

Any proposed grant of the Restricted Shares under the Restricted Share Incentive Scheme to any connected person in relation to the Company or any of its subsidiaries must be approved by the independent non-executive directors of the Company (except where such connected person is an independent non-executive director of the Company, in which case such director shall abstain from such approval process) and in accordance with the requirements under the Listing Rules, including but not limited to chapter 14A of the Listing Rules (including seeking independent shareholders' approval).

Vesting shall only occur upon satisfaction (or where applicable, waiver by the Board) of the conditions imposed by the Board.

The Board or person(s) to which the Board delegated its authority may either (a) direct and procure the trustee to release from the trust the Restricted Shares to the selected participants by transferring the number of Restricted Shares to the selected participants in such manner as determined by the Board from time to time; or (b) to the extent that, at the determination of the Board or its delegate(s), it is not practicable for the selected participants to receive the Restricted Shares in shares solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Restricted Shares in shares or the trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the trustee to sell, on the market at the prevailing market price or, if appropriate, at a price no more than the maximum price specified by the Company, the number of Restricted Shares so vested in respect of the selected participant and pay the selected participant the proceeds in cash arising from such sale based on the actual selling price of such Restricted Shares.

The Restricted Share Incentive Scheme commences on the adoption date, i.e., November 29, 2019, and remains valid and effective unless and until being terminated upon the expiry of the period of ten (10) years from such date, unless terminated earlier by a resolution of the Board.



DIRECTORS' REPORT

For more details, please refer to our announcement dated November 29, 2019.

During the year ended December 31, 2024, no Restricted Share were granted, vested, cancelled or lapsed under the Restricted Share Incentive Scheme, and no unvested Restricted Share were available under the Restricted Share Incentive Scheme.

The Share Option Scheme of the Company adopted on December 3, 2013 had been expired on December 3, 2023. The Company did not adopt any new share option schemes during the year ended December 31, 2024 and had no outstanding options.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at December 31, 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Shares

Name of Directors	Capacity	Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Bai Xiaojiang	Beneficiary of a trust (Note 1)	Long position	96,600,000	4.16%
	Beneficial owner	Long position	10,453,452	0.45%
Mr. Wang Jisheng	Beneficiary of a trust (Note 2)	Long position	96,600,000	4.16%
	Beneficial owner	Long position	453,452	0.02%
Mr. Tan Leon Li-an	Beneficial owner	Long position	900,000	0.04%
Mr. Lu Hesheng	Interest in a controlled corporation (Note 3)	Long position	27,600,000	1.19%
Mr. Huang James Chih-Cheng	Beneficial owner	Long position	400,000	0.02%

Notes:

- Mr. Bai Xiaojiang is interested in the entire issued share capital of Wish and Catch, which in turn is interested in approximately 4.16% of the issued share capital of the Company. These shares are held indirectly under a trust, of which Mr. Bai Xiaojiang is a beneficiary.
- Mr. Wang Jisheng is interested in the entire issued share capital of Peaceful Field, which in turn is interested in approximately 4.16% of the issued share capital of the Company. These shares are held indirectly under a trust, of which Mr. Wang Jisheng is a beneficiary.
- Mr. Lu Hesheng is interested in the entire issued share capital of Grand Fire, which in turn is interested in approximately 1.19% of the issued share capital of the Company.



DIRECTORS' REPORT

(ii) Interest in underlying Shares of share options

As at year ended December 31, 2024, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2024, so far as the Directors were aware, the Substantial Shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company
FSG Holding	Beneficial owner	Long position	320,360,000	13.81%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")	Founder of a discretionary trust (Note 1)	Long position	320,360,000	13.81%
Perfect Score	Beneficial owner	Long position	483,000,000	20.82%
Alliance Rise	Interest in a controlled corporation (Note 2)	Long Position	483,000,000	20.82%
Zhongfu	Interest in a controlled corporation (Note 3)	Long position	483,000,000	20.82%
Hongfu	Interest in a controlled corporation (Note 4)	Long position	483,000,000	20.82%
NGO 1	Interest in a controlled corporation (Note 5)	Long position	483,000,000	20.82%
NGO 2	Interest in a controlled corporation (Note 6)	Long position	483,000,000	20.82%
Sunshine Life Insurance Co., Ltd.* (陽光人壽保險股份有限公司)	Beneficial owner (Note 7)	Long position	151,482,000	6.53%
Sunshine Insurance Group Co., Ltd.* (陽光保險集團股份有限公司)	Interest in a controlled corporation (Note 7)	Long position	151,482,000	6.53%

* The English translation is for identification purpose only

Notes:

- Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Mr. Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan Tize Shune is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Accordingly, Mr. Tan Tize Shune is deemed or taken to be interested in approximately 13.81% of the issued share capital of the Company in which FSG Holding is interested in.



DIRECTORS' REPORT

2. Perfect Score is a direct wholly-owned subsidiary of Alliance Rise and Alliance Rise is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.
3. Alliance Rise is a direct wholly-owned subsidiary of Zhongfu and Zhongfu is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.
4. Zhongfu is a direct wholly-owned subsidiary of Hongfu and Hongfu is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.
5. Hongfu is owned by NGO 1 as to 50% and NGO 1 is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.
6. Hongfu is owned by NGO 2 as to 50% and NGO 2 is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.
7. Sunshine Insurance Group Co., Ltd. is interested in approximately 99.99% of the issued share capital of Sunshine Life Insurance Co., Ltd. and therefore Sunshine Insurance Group Co., Ltd. is deemed or taken to be interested in approximately 6.53% of the issued share capital of the Company in which Sunshine Life Insurance Co., Ltd. is interested in.

Save as disclosed above, as at December 31, 2024, so far was known to the Directors, no other persons (other than the Directors or chief executives) had any interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 40 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules during the year ended December 31, 2024.

CONNECTED TRANSACTION

- (1) Chongqing Guolong Agricultural Science and Technology Development Co. Ltd. (重慶國隆農業科技發展有限公司) (“**Chongqing Guolong**”) and Xiyuan Fu Shou Yuan entered into a loan agreement on November 28, 2017, pursuant to which Chongqing Guolong provided a shareholder loan to Xiyuan Fu Shou Yuan. The loan were extended in 2024 and they are due within one year from the extension date. As at December 31, 2024, the loan remaining outstanding amounted to approximately RMB18.52 million. The interest rate is approximately 4.35% per annum.



DIRECTORS' REPORT

The reason for entering into the shareholder's loan with Chongqing Guolong (the "Loan") was to fund the cemetery development. In considering the funding requirement, Chongqing Guolong, a shareholder of Xiyuan Fu Shou Yuan, and Shanghai Fu Shou Yuan, one of our wholly-owned subsidiaries, provided their funding to Xiyuan Fu Shou Yuan by way of the shareholder's loan based on the respective shareholding percentages in addition to the registered capital.

Chongqing Guolong is a connected person of the Company at subsidiary level as it is a substantial shareholder of Xiyuan Fu Shou Yuan and owns 49% equity interest in Xiyuan Fu Shou Yuan. The Loan constituted a continuing connected transaction.

The Directors are of the view that the Loan, being a form of financial assistance (as defined under the Listing Rules), was provided by Chongqing Guolong for our benefit on normal commercial terms where no security over the Company's assets was granted in respect of the Loan. The Loan is exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

CHANGES OF INFORMATION OF DIRECTORS

The changes of the information of the Directors which is required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules are as follows:

With effect from August 2024, the emoluments of Mr. Chen Xin, an independent non-executive Director, was adjusted to RMB240,000 per annum, together with discretionary bonus based on his performance.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2024.

AUDITOR

The financial statements of the Group for the year ended December 31, 2024 have been audited by Deloitte Touche Tohmatsu, auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor at the AGM. There has been no change of the auditor of the Company in the past three years.

A resolution will be proposed at the AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company and to authorize the Board to fix the remuneration of auditor.

By order of the Board

Fu Shou Yuan International Group Limited

Bai Xiaojiang

Chairman

Hong Kong, March 21, 2025



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2024.

Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the CG Code is referred to the provisions contained in the Appendix C1 to the Listing Rules in force during the year ended December 31, 2024.

CORPORATE CULTURE

In 2024, in response to challenges such as climate change and an aging population, the Company upholds its social responsibility. Guided by the corporate ethos of “innovation and truth-seeking; peace of mind and sincerity of heart,” the Company is deeply committed to a sustainable development strategy which promotes innovation and progress within the funeral industry while focusing on the spiritual and humanistic care of terminally ill patients and their families. By integrating hospice care, funeral services, and burial practices, the Company collaborates with universities, hospitals, and communities to advance end-of-life care and continue the dissemination of life culture and education, ensuring that public welfare and life values are widely propagated.

Centered around the “3JI” concept (Monuments beautification, Memories thickening, Heritage lengthening), the Company deepens its life science and technology services. It pioneers innovations such as “digital person” and “digital immersive ceremony halls”, facilitating a profound transformation from physiological farewells to spiritual continuance of life. Additionally, the Company prioritizes talent development by fostering a diversified and supportive work environment, streamlining promotion pathways, and cultivating a team of “life guardians” imbued with a sense of belonging and mission.

In alignment with the “double carbon” goals, the Company actively promotes carbon neutrality, green funerals, and burials through the use of eco-friendly materials and processes, constructing century-long ecological cemeteries. Looking ahead, the Company remains dedicated to refining its framework for sustainable development, enhancing life technology services, and enriching the final chapter of life with innovation and warmth. Through these efforts, it assists the living in transcending time and ensures that life memories endure.

Please refer to the 2024 Sustainability Report of the Company published separately for more details of the Group’s corporate culture.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate transparency and accountability. The Company is committed to achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has adopted the CG Code as its own code of corporate governance.

The Board is of opinion that the Company has complied with the code provisions as set out in the CG Code throughout the year ended December 31, 2024.



CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' dealings in securities of the Company. The Company has made specific enquiry to all the Directors, each of them confirmed that they have complied with the required standards of dealing as set out in the Model Code throughout the year ended December 31, 2024.

To comply with the code provision C.1.3 of the CG Code, the Company has also established and adopted a code of conduct regarding its employees' securities transactions, on terms no less exacting than the standards set out in the Model Code, for compliance by its relevant employees who are likely to be in possession of inside information in relation to the Company or its securities because of their offices or employments.

No incident of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company throughout the year ended December 31, 2024.

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises three executive Directors, three non-executive Directors and four independent non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. Bai Xiaojiang (*Chairman*)

Mr. Tan Leon Li-an (*Vice-Chairman*)

Mr. Wang Jisheng (*Chief Executive*)

Non-executive Directors

Mr. Lu Hesheng

Mr. Huang James Chih-Cheng

Ms. Zhou Lijie

Independent Non-executive Directors

Mr. Luo Zhuping

Mr. Ho Man

Ms. Liang Yanjun

Mr. Chen Xin

The biographical details of the Directors are set out in the section of "Profiles of Directors and Senior Management" of this Annual Report.

Throughout the year ended December 31, 2024, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the board of the directors.

None of the Directors has any relationship (including financial, business, family or other material/relevant relationship) with any other Directors.



CORPORATE GOVERNANCE REPORT

Board Meetings, Board Committees Meetings and General Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

The Board should meet regularly and Board meetings should be held at least four times a year. At least 14 days' notice of all regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings.

During the year ended December 31, 2024, the Board has held 5 meetings in total.

The attendance records of the individual Directors at the meetings of the Board, Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee and the general meeting for the year ended December 31, 2024 are set out as follows:

Name of Directors	No. of Meetings Attended/Held					
	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Compliance Committee Meetings	Annual General Meeting
Executive Directors						
Mr. Bai Xiaojiang	5/5	—	1/1	—	—	1/1
Mr. Tan Leon Li-an	4/5	—	—	1/1	—	1/1
Mr. Wang Jisheng	5/5	—	1/1	—	—	1/1
Non-executive Directors						
Mr. Lu Hesheng	4/5	—	—	—	—	1/1
Mr. Huang James Chih-Cheng	5/5	2/2	—	—	—	1/1
Ms. Zhou Lijie	5/5	—	—	—	—	1/1
Independent non-executive Directors						
Mr. Luo Zhuping	5/5	2/2	1/1	1/1	2/2	1/1
Mr. Ho Man	5/5	2/2	1/1	—	2/2	1/1
Ms. Liang Yanjun	5/5	—	1/1	1/1	2/2	1/1
Mr. Chen Xin	5/5	2/2	—	—	—	1/1

Except for the annual general meeting, the Company did not hold any other general meeting during the year ended December 31, 2024.

Appointment, Re-election and Removal of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years.

Each of the non-executive Directors and independent non-executive Directors was appointed to the Board pursuant to the respective letters of appointment for a term of three years.



CORPORATE GOVERNANCE REPORT

The procedures and process of appointment, re-election and removal of Directors are governed by the Articles of Association. The Board, with the recommendation of the Nomination Committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of independent non-executive Directors.

The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, or as an additional to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at such meeting.

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being or, if the number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and, being eligible, offer themselves for re-election.

The Shareholders may, at any general meetings convened and held in accordance with the Articles of Association, remove a Director by ordinary resolution at any time before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his/her stead.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The reporting responsibilities of the Company's external auditor on the financial statements of the Group are set out in the section of "Independent Auditor's Report" in this Annual Report.

Responsibilities of and Delegation by the Board

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring business and performance.

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group. A memorandum on respective functions of the Board and management of the Company has been established in writing.



CORPORATE GOVERNANCE REPORT

The Company has established internal mechanism to ensure that the Board has access to independent views and input. Directors are free to engage external independent professional advisers to assist them to discharge their duties as they think fit, at the expense of the Company.

The Board reviews annually the implementation and effectiveness of such mechanism.

The whistleblowing policy has been implemented for employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Group to raise concerns, in confidence and anonymity.

The Company also implemented anti-corruption policy pursuant to the requirement of the CG Code.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Independent Non-Executive Directors

Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin, being independent non-executive Directors, have made confirmations of independence pursuant to the factors set out in Rule 3.13 of the Listing Rules. The Company is of the view that, Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent to the Company.

Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. All Directors have provided their training records to the Company.

During the year ended December 31, 2024, all Directors, including Mr. Bai Xiaojiang, Mr. Tan Leon Li-an, Mr. Wang Jisheng, Mr. Lu Hesheng, Mr. Huang James Chih-Cheng, Ms. Zhou Lijie, Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin, have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group, and Mr. Bai Xiaojiang, Mr. Tan Leon Li-an, Mr. Wang Jisheng, Mr. Lu Hesheng, Mr. Huang James Chih-Cheng, Ms. Zhou Lijie, Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin have attended a training regarding Directors' duties, obligation of listed company, obligation of information disclosure and environmental, social and governance reporting.

Chairman and Chief Executive

The positions of the chairman ("**Chairman**") and the chief executive ("**Chief Executive**") of the Company are held separately. The role of Chairman is held by Mr. Bai Xiaojiang, and the role of Chief Executive is held by Mr. Wang Jisheng. The Chairman provides leadership and governance for the Board so as to create the conditions for the effective performance of the Board as a whole and effective contribution by individual Director and to ensure that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive has the delegated power to manage the Company and to oversee the activities of the Company on a day-to-day basis.

The division of responsibilities between the Chairman and the Chief Executive is defined and established in writing.



CORPORATE GOVERNANCE REPORT

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

The Compliance Committee is delegated to discharge the above corporate governance functions and has reported back to the Board.

The Compliance Committee has reviewed the Company's policies and practices on corporate governance and this corporate governance report.

BOARD COMMITTEES

The Board has established four committees and has delegated various responsibilities to the committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee. All the Board committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The terms of reference of the Audit Committee has been updated and published on the websites of the Stock Exchange and the Company on January 7, 2019. The primary duties of the Audit Committee are, but not limited to, to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee currently comprises four members, namely Mr. Ho Man, Mr. Luo Zhuping and Mr. Chen Xin, the independent non-executive Directors, and Mr. Huang James Chih-Cheng, the non-executive Director. Mr. Ho Man is the chairman of the Audit Committee.



CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2024, the Audited Committee held 2 meetings. It had reviewed and discussed the interim and annual financial statements, the interim and annual result announcements and reports, the accounting principles and practices adopted by the Group and the effectiveness of the internal control of the Group and recommended the re-appointment of auditor to the Board.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference. The terms of reference of the Compliance Committee has been updated and published on the websites of the Stock Exchange and the Company on December 14, 2022. The updated terms of reference of the Compliance Committee includes review and/or approve matters related to share planning as described in Chapter 17 of the Listing Rules. The primary duties of the Remuneration Committee are, but not limited to, to evaluate and make recommendations to the Board regarding the remuneration packages and compensation of the executive Directors and senior management. In addition, the Remuneration Committee conducts reviews of the performance, and determines the remuneration structure of the senior management of the Company.

The Remuneration Committee currently comprises three members, namely Mr. Luo Zhuping and Ms. Liang Yanjun, the independent non-executive Directors, and Mr. Tan Leon Li-an, the vice-chairman and executive Director. Mr. Luo Zhuping is the chairman of the Remuneration Committee.

During the year ended December 31, 2024, the Remuneration Committee held 1 meeting. During the Year, the Remuneration Committee reviewed the remuneration policy and structure of the Company and the remuneration including the matters related to Restricted Share Incentive Scheme and performance of the duties of the executive Directors, senior management officers and other employees of the Company.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraph B.3 of the CG Code. The primary functions of the Nomination Committee are, but not limited to, to formulate nomination policies for consideration of the Board, implement the nomination policies laid down by the Board, and make recommendations to the Board to fill vacancies on the same.

The Nomination Committee currently comprises five members, namely Mr. Bai Xiaojiang, the chairman and executive Director, Mr. Wang Jisheng, the executive Director, Mr. Luo Zhuping, Mr. Ho Man and Ms. Liang Yanjun, the independent non-executive Directors. Mr. Bai Xiaojiang is the chairman of the Nomination Committee.

During the year ended December 31, 2024, the Nomination Committee held 1 meeting. It had reviewed the re-appointment of directors, the structure, size and composition of the Board, the board diversity policy, and the retirement and rotation plan of the Directors and assessed the independence of each independent non-executive Director.

Compliance Committee

The Company has established the Compliance Committee with written terms of reference. The terms of reference of the Compliance Committee has been updated and published on the websites of the Stock Exchange and the Company on August 21, 2020. The updated terms of reference of the Compliance Committee includes review and monitor the environmental, social and corporate governance (“ESG”) functions and duties. The primary functions of



CORPORATE GOVERNANCE REPORT

the Compliance Committee are, but not limited to, to review and monitor the legal and compliance aspects of the Group to ensure that the Group is in compliance with all applicable laws and regulations and ESG policy. The Compliance Committee has authority to seek external counsel's advice.

The Compliance Committee currently comprises three members, namely Ms. Liang Yanjun, Mr. Luo Zhuping and Mr. Ho Man, all being the independent non-executive Directors. Ms. Liang Yanjun is the chairman of the Compliance Committee.

During the year ended December 31, 2024, the Compliance Committee held 2 meetings. It had reviewed the policies and practices on corporate governance and made recommendation to the Board, reviewed the training and continuous professional development of Directors, senior management and other employees in respect of compliance and ESG matters, the policies and practices on compliance with legal and regulatory requirements, the codes of conduct applicable to employees and Directors and the compliance with the corporate governance code and disclosure in the corporate governance report.

NOMINATION POLICY AND BOARD DIVERSITY

With a view to enhancing the Board effectiveness and corporate governance, the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this Annual Report, the Board of Directors is composed of three executive Directors, three non-executive Directors and four independent non-executive Directors, with female Directors accounting for 20%. In addition to the three founders who are responsible for the overall strategic planning and business development of Fu Shou Yuan Group, there are also three non-executive Directors with rich experience in the manufacturing industry, investment and financial industry and financial field, and four independent non-executive Directors with authoritative expertise in their respective industries. The independent non-executive Directors include both senior financial experts and legal experts, as well as a former board secretary with several years management experience in large listed company. The Company ensures the professionalism, independence and diversity of the background of independent non-executive Directors in terms of gender, region, cultural background, professional knowledge, experience and skills, so as to provide guidance for the overall enterprise development and governance.

The Company has adopted a nomination policy and a board diversity policy with measurable objectives. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity professional experience, skills, knowledge, length of services and other qualities essential to the Company's business, and merit and contribution that the selected candidates will bring to the Board. The Nomination Committee and the Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee and the Board considered that, during the year ended December 31, 2024, the composition of the Board was balanced and diversified.

After receiving recommendations regarding the appointment of new directors or re-appointment of retiring directors, the chairman of the Nomination Committee will convene a Nomination Committee meeting to perform sufficient due diligence. Upon the review by and approval from the Nomination Committee, the committee will convene a Board meeting where recommendations will be made to the Board for consideration and approval. As considered and approved by the Board, the proposed directors will be subject to re-election at a general meeting.



CORPORATE GOVERNANCE REPORT

GENDER DIVERSITY IN THE WORKFORCE

The gender ratio in the workforce (including senior management) is 41.9% female employees versus 58.1% male employee. As a death care service provider, the Group has a relevant higher percentage of female employee in the industry. We fully respect the legitimate rights and interests of every employee, resolutely put an end to possible discrimination within the Group, ensure that employees will not be treated differently due to gender, age, race, nationality, education background, religious belief and other differences, and strive to create a diversified and inclusive enterprise environment.

REMUNERATION OF THE MEMBERS OF THE DIRECTORS AND SENIOR MANAGEMENT BY BAND

Pursuant to paragraph E.1.5 of the CG Code, the remuneration of 10 Directors and 2 senior management by band for the year ended December 31, 2024 is set out below:

Remuneration bands	Number of individual
HK\$0 to HK\$1,000,000	9
HK\$1,000,001 to HK\$2,000,000	—
HK\$2,000,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$4,000,000	—
HK\$4,000,001 to HK\$5,000,000	—
HK\$5,000,001 to HK\$6,000,000	2

Save as disclosed above, details of the remuneration of the Directors are set out in Note 9 to the audited consolidated financial statements.

EXTERNAL AUDITOR'S REMUNERATION

During the year ended December 31, 2024, the remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group are set out as below:

	Fees payable or paid	
	2024 RMB'000	2023 RMB'000
Services rendered for the Group		
Audit service	2,850	3,000
Interim results review	950	1,190
Total Fees	3,800	4,190

There has been no change of the auditor of the Company in the past three years.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an effective internal control system to safeguard the Group's assets and shareholders' interests, and regularly conducts review and on-going monitoring on the risk management and internal control system to ensure the effectiveness of the implementation of the internal control system. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has maintained an internal audit function and has established its internal control system focused on risk management, including company management policies and systems in written form, clearly defined organizational structure and responsibilities authorization system, stable and reliable financial management data and reports, and stringent risk management and appraisal system on the supervision over internal control.

The Group continuously improves and regulates its internal control management policies and systems by strictly complying with national laws and regulations and the regulatory requirements under the Stock Exchange. Through objective identification, analysis and evaluation of the enterprise's risk events as well as in-depth analysis of the main aspects of internal control, the Group has established its internal control management system covering major businesses and risk matters regarding its operation and management with limited management resources to focus on core issues. The Group has adopted three-level risk management and internal control authorization structural system: the Board, senior management and Group headquarters management center as well as all branches and subsidiaries. The Board is the supreme decision-making body for the Company's risk management and internal control; the senior management and Group headquarters management center achieve effective identification and control of the risks related to all material matters; and all branches and subsidiaries implement direct risk management and internal control function for their respective operations.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is required to disclose inside information as soon as reasonably practicable in accordance with the SFO and the Listing Rules
- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
- has included in the code of conduct of the Company a strict prohibition on the unauthorised use of confidential or inside information
- ensures, through the Company's own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information

The Group has commenced risk assessment by conducting risk ranking, and in the previous year, the significant risks were under control and their rankings have dropped. In addition, the Group has formulated risk management plan to ensure the identification, assessment, management, control and reporting of all significant risks of the Group are carried out according to a unified guideline, and are reported to the senior management, Audit Committee and the Board when necessary. Such guideline stipulates the group risk management policies and procedures which are carried out with the common risk management methods.



CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2024, the Board has annually reviewed the effectiveness and efficiency of the implementation of its risk management and internal control systems, which covered all material financial, operational and compliance control and risk management. The Company considered them effective and adequate. The independent internal control consultant and the internal audit department reported directly to the audit committee, compliance committee and/or the Board semi-annually. There were no significant risks identified by the independent internal control consultant in the risk assessment.

In addition, the Board reviewed and considered the adequacy of resources, staff qualifications and experience, training programmes and relevant budget of the Company's accounting, risk management, internal audit and financial reporting functions.

The Board considers that the Group was able to maintain established and effective risk management and internal control systems during the year ended December 31, 2024.

JOINT COMPANY SECRETARIES

Mr. Zhu Qiming ("**Mr. Zhu**") has been serving as the secretary to the Board and joint company secretary of the Company since September 2023. Mr. Zhu is responsible for the investor relations, corporate finance and corporate governance of the Group. For Mr. Zhu's biography, please refer to the section headed "Profiles of Directors and Senior Management" of this annual report.

Mr. Cheng Ching Kit ("**Mr. Cheng**") (an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, an external professional company secretarial service provider) was appointed as another joint company secretary, authorized representative and process agent in September 2023. Mr. Cheng assists Mr. Zhu in performing his functions as joint company secretary and in obtaining "relevant experience" as required under Rule 3.28 of the Listing Rules. For details of the waiver granted by the Stock Exchange to the Company from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules in respect of Mr. Zhu's qualifications to serve as the Company's joint company secretary, please refer to the Company's announcement dated September 8, 2023. Mr. Zhu is the main contact person at the Company of Mr. Cheng.

In compliance with the requirements of Rule 3.29 of the Listing Rules, Mr. Zhu Qiming and Mr. Cheng Ching Kit had taken no less than 15 hours of the relevant professional training on review of Listing Rules and other compliance requirements during the year ended December 31, 2024.

SHAREHOLDERS' RIGHTS

The Company encourages the Shareholders to attend the general meetings of the Company. Directors, chairman of each of the Audit Committee, Remuneration Committee, Nomination Committee, Compliance Committee (or a delegated member of the Committee), chairman of the independent board committee (if any) and management will attend the annual general meeting to answer queries about the Group's business.

The Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM") and for Putting Forward Proposals at General Meeting

Pursuant to Article 64 of Articles of Association, an extraordinary general meeting of the Company shall be convened on the requisition of one or more shareholders of the Company holding, on the date of deposit of the requisition, not less than 10% of the voting rights (on a one vote per Share basis) in the issued share capital of the Company. Such Shareholder(s) shall be entitled to add resolutions to the agenda for the extraordinary general meeting concerned. Such requisition shall be made in writing to the Board or the company secretary of the



CORPORATE GOVERNANCE REPORT

Company at the headquarter of the Company in the PRC, which is situated at No. 500, Lane 7270, Waiqingsong Road, Shanghai, China 200030, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitioner(s).

The request will be verified with the Company's Hong Kong share registrar and upon its confirmation that the request is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders.

On the contrary, if the request has been verified not in order, the Shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

The procedures for the Shareholders to propose a person for election as a director is posted on the website of the Company.

Investor Relations and Communications with Shareholders

The Company has formulated shareholders' communication policy. Pursuant to the shareholders' communication policy, the Company holds general meetings which offer a valuable forum to Shareholders for dialogue and interaction with management. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at general meetings for and on their behalf if they are unable to attend the general meetings. Shareholders may also put forward their enquiries to the Board at the general meetings of the Company. The Board members, chairmen or members of respective Board committees, and external auditor of the Company and such other person as the Board deems appropriate shall attend the general meetings of the Company to respond to questions addressed to the Company.

The Company also takes various steps to solicit and understand views of the Shareholders, investors and stakeholders. During the Year, the Board has reviewed and was satisfied with the implementation and effectiveness of the shareholders' communication policy. The Company will continue to maintain an ongoing dialogue with the Shareholders and review the shareholders' communication policy regularly to ensure its effectiveness.

Shareholders, investors and members of the public should direct their questions about their shareholdings to the Company's Hong Kong Share Registrar. The contact details for the Hong Kong Share Registrar are as follows:

Computershare Hong Kong Investor Services Limited
Shop 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: (852) 2862 8555
Fax: (852) 2865 0990
Email: hkinfo@computershare.com.hk
Website: www.computershare.com



CORPORATE GOVERNANCE REPORT

To contact the Company in relation to your query on investor relations, or for Shareholders who intend to put forward their enquiries about the Company to the Board, the contact details are as follows:

Address: No. 500, Lane 7270, Waiqingsong Road, Shanghai, China 200030

Telephone: (86) 21 54255151 (board secretary office)

Email: ir@fsygroup.com

Constitutional Documents

There was no change in the Company's constitutional documents during the year ended December 31, 2024.



INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF FU SHOU YUAN INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fu Shou Yuan International Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 62 to 160, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants’ Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – *continued*

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of goodwill arising from acquisitions

We identified the impairment assessment of goodwill arising from certain acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the consolidated financial statements, combined with the significant judgement and estimates exercised by the management. The selected impairment assessment of goodwill are with relatively high amounts of balances of goodwill, and also with low headroom between the carry amounts and the recoverable amounts which are the value in use of cash-generating units ("CGUs") to which goodwill has been allocated.

As disclosed in Note 17 to the consolidated financial statements, as at December 31, 2024, the impairment amount of RMB22,973,000 was recognized for the goodwill related to Zaozhuang Fu Shou Yuan Funeral and Burial Service Co., Ltd. this year, and the total carrying amount of Group's goodwill amounted to RMB1,106,070,000.

As set out in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgement, including the calculation of value in use of CGUs to which goodwill has been allocated. In estimate the value in use of the CGUs, key assumptions include those regarding projections of cash flows and discount rates based on the management's view of future business. Details of such estimations are disclosed in Note 17.

Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included:

- Obtaining an understanding of the management controls over the impairment assessment of goodwill;
- Examining the determination of recoverable amounts which are the value in use of CGUs to which goodwill has been allocated and obtaining an understanding of financial positions and future prospects of respective CGUs;
- Obtaining the cash flow forecasts prepared by the management, reviewing and discussing with the management on the major assumptions adopted in the cash flow forecasts for each CGUs and checking arithmetic accuracy of the forecast calculation;
- Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective CGUs as well as our knowledge of the business;
- Comparing the growth rates used to historical growth rates for business of respective CGUs;
- Assessing the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact of these assumptions on the cash flow forecasts; and
- Engaging our internal valuation expert to the extent necessary in assessing the discount rates used in the impairment assessment model by benchmarking against independent data.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company (the “Directors”) are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jacky Wong Suk Hung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 21, 2025



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	2,077,484	2,628,029
Operating expenditures			
Staff costs		(486,720)	(506,360)
Construction costs		(114,067)	(123,086)
Consumed materials and goods		(149,929)	(188,935)
Outsourced service costs		(51,111)	(62,160)
Marketing and sales channel costs		(41,597)	(48,899)
Depreciation and amortisation		(173,179)	(166,609)
Other general operating expenditures		(244,376)	(171,530)
Inventory changes		21,160	11,708
Impairment losses under expected credit loss model (“ECL”), net of reversal		(23,585)	41
Impairment losses recognized on property and equipment, intangible assets, cemetery assets and goodwill		(104,193)	—
Profit from operations		709,887	1,372,199
Other income, gains and losses	6	119,842	85,183
Share of loss of a joint venture		(2,733)	(18,436)
Share of loss of an associate		(65)	—
Finance costs	7	(16,422)	(7,392)
Profit before taxation	8	810,509	1,431,554
Income tax expense	10	(313,181)	(455,638)
Profit for the year		497,328	975,916
Profit for the year attributable to:			
Owners of the Company		373,134	791,240
Non-controlling interests		124,194	184,676
		497,328	975,916

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



FOR THE YEAR ENDED DECEMBER 31, 2024

	NOTE	2024 RMB'000	2023 RMB'000
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		376	—
Other comprehensive income for the year, net of income tax		376	—
Total comprehensive income for the year		<u>497,704</u>	<u>975,916</u>
Total comprehensive income attributable to:			
Owners of the Company		373,292	791,240
Non-controlling interests		124,412	184,676
		<u>497,704</u>	<u>975,916</u>
		RMB cents	RMB cents
Earnings per share — Basic	12	<u>16.4</u>	<u>34.8</u>



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2024

	NOTES	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets			
Property and equipment	13	565,676	556,232
Right-of-use assets	14	179,645	103,568
Investment property	15	6,509	6,509
Intangible assets	16	257,302	309,774
Goodwill	17	1,106,076	1,129,049
Deposits paid for acquisition of leasehold land as cemetery assets		22,334	21,963
Cemetery assets	18	1,995,409	2,074,652
Investment in an associate		2,935	3,000
Investment in a joint venture	20	54,413	42,184
Time deposits	25	207,633	200,000
Restricted deposits	19	96,395	89,424
Deferred tax assets	21	120,956	92,871
Other long-term assets		8,930	5,000
		4,624,213	4,634,226
Current assets			
Inventories	22	576,326	557,991
Trade and other receivables	23	132,922	222,383
Financial assets at fair value through profit or loss ("FVTPL")	24	589,176	776,501
Time deposits	25	188,375	167,746
Bank balances and cash	26	2,056,626	2,295,467
Contract assets		13,559	13,473
		3,556,984	4,033,561
Current liabilities			
Trade and other payables	27	667,564	658,344
Borrowings	29	—	200,000
Lease liabilities	31	19,752	23,156
Contract liabilities	28	123,435	105,808
Loans from non-controlling shareholders of subsidiaries	30	30,466	29,438
Dividends payable		110,124	36,000
Income tax liabilities		212,079	205,440
		1,163,420	1,258,186
Net current assets		2,393,564	2,775,375
Total assets less current liabilities		7,017,777	7,409,601



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2024

	NOTES	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current liabilities			
Lease liabilities	31	111,544	29,215
Contract liabilities	28	514,208	494,434
Deferred tax liabilities	21	150,896	216,137
Other long-term liabilities	32	85,301	95,951
		<u>861,949</u>	<u>835,737</u>
Net assets		<u>6,155,828</u>	<u>6,573,864</u>
Capital and reserves			
Share capital	33	142,148	142,148
Reserves	34	5,419,006	5,777,907
Equity attributable to owners of the Company		<u>5,561,154</u>	5,920,055
Non-controlling interests		<u>594,674</u>	653,809
Total equity		<u>6,155,828</u>	<u>6,573,864</u>

The consolidated financial statements on pages 62 to 160 were approved and authorized for issue by the Board of Directors on March 21, 2025 and are signed on its behalf by:

Bai Xiaojiang
DIRECTOR

Wang Jisheng
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

	Share capital	Treasury shares	Share premium*	Special reserve	Statutory surplus reserve	Translation reserve	Other reserve	Retained profits	Subtotal attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	142,148	(254,829)	1,026,187	84,667	205,961	–	(105,033)	4,376,657	5,475,758	638,246	6,114,004
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	791,240	791,240	184,676	975,916
Dividends recognized as distributions (Note 11)	–	–	(355,033)	–	–	–	–	–	(355,033)	–	(355,033)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(168,943)	(168,943)
Transfer to statutory surplus reserve	–	–	–	–	19,293	–	–	(19,293)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	452	452
Partial disposal of equity interests in a subsidiary	–	–	–	–	–	–	622	–	622	(622)	–
Dividend receipt under the restricted share incentive scheme (Note 35)	–	7,468	–	–	–	–	–	–	7,468	–	7,468
At December 31, 2023	142,148	(247,361)	671,154	84,667	225,254	–	(104,411)	5,148,604	5,920,055	653,809	6,573,864
Profit for the year	–	–	–	–	–	–	–	373,134	373,134	124,194	497,328
Other comprehensive income for the year	–	–	–	–	–	158	–	–	158	218	376
Total comprehensive income for the year	–	–	–	–	–	158	–	373,134	373,292	124,412	497,704
Dividends recognized as distributions (Note 11)	–	–	(671,154)	–	–	–	–	(64,677)	(735,831)	–	(735,831)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(206,323)	(206,323)
Transfer to statutory surplus reserve	–	–	–	–	13,391	–	–	(13,391)	–	–	–
Capital injection to a subsidiary (Note i)	–	–	–	–	–	–	(6,797)	–	(6,797)	6,797	–
Capital contribution from non-controlling interests (Note ii)	–	–	–	–	–	–	(4,932)	–	(4,932)	15,893	10,961
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	–	(111)	–	(111)	86	(25)
Dividend receipt under the restricted share incentive scheme (Note 35)	–	15,478	–	–	–	–	–	–	15,478	–	15,478
At December 31, 2024	142,148	(231,883)	–	84,667	238,645	158	(116,251)	5,443,670	5,561,154	594,674	6,155,828

* Pursuant to section 34 of the Companies Law of Cayman Islands (2020 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency on the Company and the provision of the Articles of Association of the Company.

Note i: In June 2024, the Group made capital injection of RMB16,470,000 to a subsidiary Zhuolu Longhui Tianfu Yuanbaoshan Development Management Co., Ltd. (“Zhuolu Yuanbaoshan”). The proportion of shares held by the Group increased from 51% to 70%.

Note ii: In August 2024, the Group and a third party jointly established VR Paradise Holdings Limited which the Group held 60% equity interests. The third party, as the non-controlling shareholder, made capital injection of RMB10,961,000.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	810,509	1,431,554
Adjustments for:		
Finance costs	16,422	7,392
Interest income	(21,811)	(17,341)
Gain on fair value changes of financial assets at FVTPL	(44,753)	(39,667)
Depreciation of property and equipment	55,041	56,872
Depreciation of right-of-use assets	19,757	19,944
Amortisation of cemetery assets	76,652	71,063
Amortisation of intangible assets	21,729	18,730
Net (gain) loss on disposal of property and equipment and termination of leases, net	(6,393)	20
Net loss (gain) on disposal of cemetery assets	784	(8,668)
Investment loss from acquisition of a subsidiary	—	393
Share of loss of a joint venture	2,733	18,436
Share of loss of an associate	65	—
Impairment losses under ECL, net of reversal	23,585	(41)
Impairment losses recognized on property and equipment, intangible assets, cemetery assets and goodwill	104,193	—
Write-down of inventories	26,651	—
Operating cash flows before movements in working capital	1,085,164	1,558,687
Increase in restricted deposits	(6,971)	(8,030)
Increase in cemetery assets and inventories	(61,894)	(127,038)
(Increase) Decrease in deposits paid for acquisition of leasehold land as cemetery assets	(3,800)	7,154
Decrease in trade and other receivables	53,370	2,152
Increase (Decrease) in trade and other payables	5,131	(17,351)
Increase in contract liabilities	37,401	47,099
Cash generated from operations	1,108,401	1,462,673
Income taxes paid	(399,869)	(359,795)
NET CASH FROM OPERATING ACTIVITIES	708,532	1,102,878



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES		
Purchase of and deposits paid for property and equipment and landscape facilities	(77,937)	(30,952)
Prepayments and purchase of computer software	(792)	(11,624)
Payment for concession agreement	(410)	(2,054)
Proceeds on disposal of property and equipment	1,089	2,132
Proceeds on disposal of cemetery assets	15	12,774
Considerations paid for acquisition of subsidiaries	(4,723)	(74,419)
Interest received	15,187	14,475
Receipt of gain from fair value changes of financial assets at FVTPL	44,078	40,268
Withdrawal of time deposits	167,746	33,467
Placement of time deposits	(186,450)	(367,746)
Purchase of financial assets at FVTPL	(192,000)	(654,000)
Withdrawal of financial assets at FVTPL	380,000	372,030
Investment in a joint venture	(14,962)	—
Receipt from liquidation of a partnership	—	190,000
Investment in an associate	—	(3,000)
Withdrawal of investment in a joint venture	—	72,340
Receipt of loans to third parties in connection with a cemetery project	—	48,000
Payment on behalf of a non-controlling shareholder of a subsidiary	—	(3,817)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	130,841	(362,126)
FINANCING ACTIVITIES		
New bank loans raised	—	200,000
Repayment of bank borrowings	(200,000)	—
Repayment of loan from a joint venture	—	(80,000)
Loans raised from non-controlling shareholders of subsidiaries	622	878
Acquisition of non-controlling interests of a subsidiary	(25)	—
Repayments of loans from non-controlling shareholders of subsidiaries	—	(4,410)
Investment from non-controlling shareholders of subsidiaries	10,961	452
Interest paid	(11,548)	(849)
Dividends paid to non-controlling shareholders of subsidiaries	(132,199)	(132,943)
Dividends paid to owners of the Company	(720,353)	(347,565)
Repayments of leases liabilities	(19,482)	(21,492)
Repayments of other long-term liabilities	(6,190)	(1,589)
NET CASH USED IN FINANCING ACTIVITIES	(1,078,214)	(387,518)



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024 RMB'000	2023 RMB'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(238,841)	353,234
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,295,467</u>	<u>1,942,233</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u><u>2,056,626</u></u>	<u><u>2,295,467</u></u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1. GENERAL INFORMATION

Fu Shou Yuan International Group Limited (the “Company”) is a company incorporated on January 5, 2012 as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on December 19, 2013. The addresses of the registered office and the principal place of business of the Company are disclosed in the annual report. The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the sale of burial plots, provision of funeral services and provision of cemetery maintenance services as set out in Note 43.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatory effective for the Group’s annual period beginning on January 1, 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ³
Amendments to IAS 21	Lack of Exchangeability ²
IFRS 18	Presentation and Disclosure in Financial Statements ⁴

- 1 Effective for annual periods beginning on or after a date to be determined.
- 2 Effective for annual periods beginning on or after January 1, 2025.
- 3 Effective for annual periods beginning on or January 1, 2026.
- 4 Effective for annual periods beginning on or after 1 January 2027.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS – *continued*

New and amendments to IFRS Accounting Standards in issue but not yet effective – continued

Except for the new IFRS Accounting Standard mentioned below, the Directors anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements.

This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Basis of consolidation – continued

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Business combinations – continued

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16 Leases) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Goodwill – continued

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Investments in an associate and a joint venture – continued

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group's interests in associate and joint venture

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 5 and 28.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Leases – continued

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that directly related to cemetery in cemetery assets and transfer to inventory upon commencement of development.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

The Group presents right-of-use assets that do not meet the definition of cemetery assets or inventory as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued

The Group presents lease liabilities associated with right-of-use assets and other long-term liabilities associated with cemetery assets as separate line items respectively on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All the borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains and losses".

Employee benefits

Retirement benefit costs

Payments to the state-managed retirement benefit scheme and Mandatory Provident Fund Scheme in Hong Kong which was established under the Mandatory Provident Fund Schemes Ordinance in December 2000 (the "MPF Scheme") which are defined contribution schemes, are charged as an expense when employees have rendered services entitling them to the contributions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Employee benefits – continued

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Equity-settled share-based payment transactions

Restricted share granted to employees

Equity-settled share-based payments to the Directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Taxation – continued

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sales, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Taxation – continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land directly related to cemetery is presented as cemetery assets and the rest is presented as "right-of-use asset" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognized so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Property and equipment – continued

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment property

Investment property is property held to earn rentals and capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the period in which it arises.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Intangible assets – continued

Intangible assets acquired in a business combination – continued

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment on property and equipment, right-of-use assets, cemetery assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, cemetery assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets, cemetery assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Impairment on property and equipment, right-of-use assets, cemetery assets and intangible assets other than goodwill – continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cemetery assets

Cemetery assets consist of leasehold land, cost of initial land development, and cost of landscaping for the general public areas of the cemetery, except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, cemetery assets are carried at the lower of costs less accumulated amortisation and net realizable value prior to the commencement of development of the cemetery. Amortisation for cemetery assets is provided on a straight-line basis over the estimated useful life of the cemetery assets and is recognized in profit or loss.

Upon commencement of development of the cemetery with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of cemetery assets are transferred to inventories.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Cash and cash equivalents – continued

- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Regulatory restrictions affecting use of bank balances are disclosed in Note 19.

Inventories

Inventories include cemetery assets developed and ready for sale, cemetery assets under development, and tombstones and urns. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, cemetery assets under development, and tombstones and urns are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – *continued*

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other income, gains and losses” line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL on financial assets (including trade and other receivables, time deposits, bank balances and cash, other long-term assets and restricted deposits) and other item (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial assets – continued

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

(i) Significant increase in credit risk – *continued*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of investment grade as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial assets – continued

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial assets – continued

Impairment of financial assets subject to impairment assessment under IFRS 9 – *continued*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial assets – continued

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the ‘Other income, gains and losses’ line item (note 6) as part of the net foreign exchange (loss) gain.
- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss in the ‘Other income, gains and losses’ line item as part of the gain on fair value changes of financial assets at FVTPL (note 6).

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION – *continued*

3.2 Material accounting policy information – *continued*

Financial instruments – continued

Financial liabilities and equity – continued

Equity instruments – *continued*

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

All of the Group's financial liabilities are subsequently measured at amortised cost.

Financial liabilities including trade and other payables, borrowings, loans from non-controlling shareholders of subsidiaries, dividends payable, and other long-term liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment may arise. Furthermore, the estimated cash flows and discount rate are subject to change due to ongoing uncertain macroeconomic environment. As at December 31, 2024, the carrying amount of goodwill is approximately RMB1,106,076,000 (2023: RMB1,129,049,000) (net of accumulated impairment loss of RMB22,973,000 (2023: nil)). Details of recoverable amount calculation are disclosed in Note 17.

Estimated useful lives of property and equipment and intangible assets

The management determines the estimated useful lives and the depreciation or amortisation method in determining the related depreciation or amortisation charges for its property and equipment and intangible assets. This estimate is based on the management's experience of the actual useful lives of property and equipment and intangible assets of similar nature and functions. Management will increase the depreciation or amortisation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives of property and equipment and intangible assets differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place.

Estimated impairment of property and equipment, right-of-use assets, intangible assets and cemetery assets

Property and equipment, right-of-use assets, intangible assets and cemetery assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated impairment of property and equipment, right-of-use assets, intangible assets and cemetery assets – *continued*

As at December 31, 2024, the carrying amounts of property and equipment are approximately RMB565,676,000 (2023: RMB556,232,000), after taking into account the impairment losses of RMB1,306,000 (2023: Nil) that have been recognized. Details of movement are disclosed in Note 13. As at December 31, 2024, the carrying amounts of intangible assets are approximately RMB257,302,000 (2023: RMB309,774,000), after taking into account the impairment losses of RMB43,777,000 (2023: Nil) that have been recognized. Details of movement are disclosed in Note 16. As at December 31, 2024, the carrying amounts of right-of-use assets are approximately RMB179,645,000 (2023: RMB103,568,000). No impairment indicators on right-of-use assets were identified during the years ended December 31, 2024 and 2023. Details of movement are disclosed in Note 14. As at December 31, 2024, the carrying amounts of cemetery assets are approximately RMB1,995,409,000 (2023: RMB2,074,652,000), after taking into account the impairment losses of RMB36,137,000 (2023: Nil) that have been recognized. Details of movement are disclosed in Note 18.

Estimated cemetery maintenance income

The Group estimates cemetery maintenance income to be separated performance obligation from the sale of burial plots each period. The consideration of cemetery maintenance income is determined by the expected cost plus a margin approach. The expected cost is based on cost of maintaining the cemetery over the service period, which includes labour cost, general and administrative expenses, and cost of maintenance of landscaping. The Group also considered factors such as increase in labour cost in future periods when estimating cemetery maintenance expense. Cemetery maintenance expense is marked up at a reasonable profit and is allocated to individual transaction to arrive at the amount of cemetery maintenance service price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released based on actual cost over each reporting period. Contract liability is reviewed at the end of each reporting period. If it is considered that cemetery maintenance income to be released is insufficient to cover the remaining expected cost of maintenance, the Group will adjust the consideration of cemetery maintenance income in contract liabilities to fully cover the remaining expected cost of maintenance. As at December 31, 2024, the carrying amounts of contract liabilities for cemetery maintenance services are approximately RMB585,101,000 (2023: RMB551,800,000), as disclosed in Note 28.

Tax and other provisions

Provisions are recognized by the Group when it has present obligation as a result of past event which the Group believes it is probable that an outflow of economic resources would be required to settle that obligation, and the amount can be reliably estimated. The amount of provisions recognized at the reporting date reflects management's best estimate of the consideration that the Group may be required to pay to settle the obligation, taking into account various factors at the time of assessment, which may include, but not limited to, the applicable rules or terms and their interpretation and application, past experience, current market practice, professional advices and other relevant information that came to the knowledge of the management and its reliability. Due to the inherent risk and uncertain nature, the estimated amount may vary from time to time and subject to changes when obligations are eventually finalized and settled, more experience is accumulated, or when more updated, relevant and/or reliable information becomes available. The eventual outcome of settlement maybe different from the estimated amount that were initially or previously recorded, and the differences will impact the profit and loss and the carrying amount in the period in which assessment is revised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

5. REVENUE AND SEGMENT INFORMATION

A. For the year ended December 31, 2024

(i) Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Geographical markets		
Mainland China	<u>2,077,484</u>	<u>2,628,029</u>
Timing of revenue recognition		
A point in time	<u>1,993,210</u>	2,541,623
Over time	<u>84,274</u>	<u>86,406</u>
Total	<u>2,077,484</u>	<u>2,628,029</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of burial plots with maintenance services

The Group sells burial plots and provide cemetery maintenance services.

Revenue from the sale of burial plots is recognized when the control of burial plots is transferred to the customer, being when the right to use of burial plots has been passed. Payment of the transaction price is due immediately at the point the customer purchases the burial plots.

The cemetery maintenance service is considered to be a distinct service. Transaction price is allocated between sales of burial plots and the maintenance services. The contract price for the cemetery maintenance services is based on a nominal amount, which does not represent the fair value of such services. The Group estimates the fair value of the cemetery maintenance service income to be deferred based on the expected cost of providing such cemetery maintenance services plus a reasonable margin. Revenue relating to the maintenance services is recognized over time, as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released based on expected cost over the period of service.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

5. REVENUE AND SEGMENT INFORMATION – continued

A. For the year ended December 31, 2024 – continued

(ii) Performance obligations for contracts with customers and revenue recognition policies – continued

Sales of funeral services

The Group offers services of planning funeral arrangement and interment, organizing and hosting of the funeral. Revenue from funeral services is recognized when services are provided. Except for sales of pre-need contracts and services offered to local funeral administration authority, payment of the transaction price is due immediately at the point the funeral services are provided. For services offered to local funeral administration authority, the credit term is 0–90 days upon service provided.

Sales of pre-need contracts is sales of funeral services based on a contract prior to death occurring. The payment is due when the pre-need contract is signed, which gives rise to contract liabilities at the inception of a contract, until the revenue is recognized when the funeral service is offered.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price of cemetery maintenance services allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2024 and the expected timing of recognising revenue are as follows:

	Cemetery Maintenance Services	
	2024 RMB'000	2023 RMB'000
Within one year	70,893	57,366
More than one year	514,208	494,434
Total	585,101	551,800

Regarding the nature of the pre-need contracts amounted to RMB52,542,000 (2023: RMB48,442,000), the expected timing of revenue recognition is based on the request of the customers.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

5. REVENUE AND SEGMENT INFORMATION – *continued*

B. Operating Segments

Information reported to the Group’s Chief Executive Officer, being the Group’s chief operating decision maker (“CODM”), for the purpose of making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided.

The Group’s reportable and operating segments are as follows:

- Burial services — sale of burial plots and provision of cemetery maintenance services.
- Funeral services — planning of funeral arrangement and interment, organizing and hosting of the funeral.
- Others services — including provision of landscape and garden design services, construction services, and production and sale of cremation machines and the related maintenance services.

Segment revenues and results

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segments:

	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
For the year ended December 31, 2024:						
External sales	1,709,205	339,191	29,088	2,077,484	—	2,077,484
Inter-segment sales	—	—	8,348	8,348	(8,348)	—
Total	1,709,205	339,191	37,436	2,085,832	(8,348)	2,077,484
Segment profit (loss)	706,754	28,664	(27,425)	707,993	1,894	709,887
Other income, gains and losses						119,842
Finance costs						(16,422)
Share of loss of a joint venture						(2,733)
Share of loss of an associate						(65)
Profit before taxation						810,509



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

5. REVENUE AND SEGMENT INFORMATION – *continued*

B. Operating Segments – *continued*

Segment revenues and results – continued

	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
For the year ended December 31, 2023:						
External sales	2,165,253	397,886	64,890	2,628,029	—	2,628,029
Inter-segment sales	—	—	13,652	13,652	(13,652)	—
Total	<u>2,165,253</u>	<u>397,886</u>	<u>78,542</u>	<u>2,641,681</u>	<u>(13,652)</u>	<u>2,628,029</u>
Segment profit	<u>1,304,277</u>	<u>64,413</u>	<u>1,847</u>	<u>1,370,537</u>	<u>1,662</u>	<u>1,372,199</u>
Other income, gains and losses						85,183
Finance costs						(7,392)
Share of loss of a joint venture						<u>(18,436)</u>
Profit before taxation						<u><u>1,431,554</u></u>

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are same as those of the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of other income, gains and losses, share of loss of a joint venture, share of loss of an associate and finance costs. The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

5. REVENUE AND SEGMENT INFORMATION – *continued*

B. Operating Segments – *continued*

Geographical information

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

	2024 RMB'000	2023 RMB'000
Shanghai	998,330	1,262,184
Anhui	165,791	166,869
Liaoning	135,906	188,694
Henan	128,421	164,076
Jiangsu	98,578	117,547
Heilongjiang	92,552	97,269
Shandong	83,168	120,097
Jiangxi	77,434	106,804
Chongqing	64,036	85,853
Fujian	57,784	64,670
Zhejiang	48,491	56,900
Guizhou	40,095	59,754
Gansu	25,708	28,279
Inner Mongolia	14,026	19,915
Guangxi	13,675	20,887
Shaanxi	3,077	1,696
Hubei	1,324	1,645
Total	<u>2,048,396</u>	<u>2,563,139</u>

Information about major customers

No single customer accounted for 10% or more of the Group's revenue during the years ended December 31, 2024 and 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

6. OTHER INCOME, GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Other income:		
Interest income	21,811	17,341
Government grants (Note)	27,455	29,830
Management service income	535	3,643
	<u>49,801</u>	<u>50,814</u>
Net gains and losses:		
Net gain (loss) on disposal of property and equipment and termination of leases, net	6,393	(20)
Net (loss) gain on disposal of cemetery assets	(784)	8,668
Donation	(1,753)	(766)
Net foreign exchange (loss) gain	(15,040)	1,633
Gain on fair value changes of financial assets at FVTPL	44,753	39,667
Investment loss	—	(393)
Exemption of reimbursed payables due to third parties (Note 27)	43,377	—
Others	(6,905)	(14,420)
	<u>70,041</u>	<u>34,369</u>
Other income, gains and losses	<u><u>119,842</u></u>	<u><u>85,183</u></u>

Note: The government grants represented the amount received from the local government by certain operating subsidiaries of the Group to encourage the economic contributions to the society without any specific conditions.

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
— Borrowings	9,075	2,078
— Loans from non-controlling shareholders of subsidiaries (Note 30)	801	861
— Lease liabilities	2,573	2,359
— Other long-term liabilities	3,973	2,094
	<u>16,422</u>	<u>7,392</u>
Total finance costs	<u><u>16,422</u></u>	<u><u>7,392</u></u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Staff costs, including Directors' remuneration:		
Salaries, wages, bonus and other benefits	451,992	472,366
Contributions to retirement benefits schemes (Note 40)	34,728	33,994
Total staff costs	<u>486,720</u>	<u>506,360</u>
Depreciation of property and equipment	55,041	56,872
Amortisation of intangible assets	21,729	18,730
Amortisation of cemetery assets	76,652	71,063
Depreciation of right-of-use assets	19,757	19,944
Impairment losses recognized on property and equipment, intangible assets, cemetery assets and goodwill	104,193	—
Auditor's remuneration	3,800	4,190
Write-down of inventories	26,651	—

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid and payable to the Directors are as follows:

	2024 RMB'000	2023 RMB'000
Directors' fees	8,740	8,640
Other emoluments		
Discretionary bonus	1,800	2,000
Contributions to retirement benefits scheme	34	188
	<u>10,574</u>	<u>10,828</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

The emoluments of the Directors on a named basis are as follows:

For the year ended December 31, 2024

	Chief Executive Wang Jisheng RMB'000	Bai Xiaojiang RMB'000	Tan Leon Li-an RMB'000	Total RMB'000
A) Executive Directors				
Directors' fees	3,600	3,600	—	7,200
Discretionary bonus	900	900	—	1,800
Contributions to retirement benefits scheme	17	17	—	34
Sub-total	<u>4,517</u>	<u>4,517</u>	<u>—</u>	<u>9,034</u>

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Huang James Chih-Cheng RMB'000	Lu Hesheng RMB'000	Zhou Lijie RMB'000	Total RMB'000
B) Non-Executive Directors				
Directors' fees	240	240	240	720
Discretionary bonus	—	—	—	—
Contributions to retirement benefits scheme	—	—	—	—
Sub-total	<u>240</u>	<u>240</u>	<u>240</u>	<u>720</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

For the year ended December 31, 2024 – *continued*

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

	Luo Zhuping RMB'000	Ho Man RMB'000	Liang Yanjun RMB'000	Chen Xin RMB'000	Total RMB'000
C) Independent Non-Executive Directors					
Directors' fees	240	240	240	100	820
Discretionary bonus	–	–	–	–	–
Contributions to retirement benefits scheme	–	–	–	–	–
Sub-total	<u>240</u>	<u>240</u>	<u>240</u>	<u>100</u>	<u>820</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Tan Leon Li-an was paid zero remuneration. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

For the year ended December 31, 2023

	Chief Executive Wang Jisheng RMB'000	Bai Xiaojiang RMB'000	Tan Leon Li-an RMB'000	Total RMB'000
A) Executive Directors				
Directors' fees	3,600	3,600	–	7,200
Discretionary bonus	1,000	1,000	–	2,000
Contributions to retirement benefits scheme	74	114	–	188
Sub-total	<u>4,674</u>	<u>4,714</u>	<u>–</u>	<u>9,388</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

For the year ended December 31, 2023 – *continued*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Huang James Chih-Cheng RMB'000	Lu Hesheng RMB'000	Zhou Lijie RMB'000	Total RMB'000
B) Non-Executive Directors				
Directors' fees	240	240	240	720
Discretionary bonus	—	—	—	—
Contributions to retirement benefits scheme	—	—	—	—
Sub-total	<u>240</u>	<u>240</u>	<u>240</u>	<u>720</u>

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

	Luo Zhuping RMB'000	Ho Man RMB'000	Liang Yanjun RMB'000	Chen Xin RMB'000	Total RMB'000
C) Independent Non-Executive Directors					
Directors' fees	240	240	240	—	720
Discretionary bonus	—	—	—	—	—
Contributions to retirement benefits scheme	—	—	—	—	—
Sub-total	<u>240</u>	<u>240</u>	<u>240</u>	<u>—</u>	<u>720</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Tan Leon Li-an and Chen Xin were paid zero remuneration. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – *continued*

Five Highest Paid Employees

The five highest paid employees of the Group during the year included two (2023: two) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	3,835	4,150
Performance related bonuses	1,700	2,100
Retirement benefits	344	341
	<u>5,879</u>	<u>6,591</u>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2024 No. of employees	2023 No. of employees
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	2	3
	<u>3</u>	<u>3</u>

10. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
PRC Enterprise Income Tax (“PRC EIT”)		
Current year	386,462	384,823
Under provision in prior years	20,045	474
Deferred tax (Note 21)	(93,326)	70,341
	<u>313,181</u>	<u>455,638</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

10. INCOME TAX EXPENSE – *continued*

The income tax expense for the years ended December 31, 2024 and 2023 can be reconciled to the profit before taxation as follows:

	2024 RMB'000	2023 RMB'000
Profit before taxation	<u>810,509</u>	<u>1,431,554</u>
Tax at the PRC EIT rate of 25% (2023: 25%)	202,627	357,889
Tax effect of expenses not deductible for tax purpose	26,162	11,406
Tax effect of income not taxable for tax purpose	(621)	(1,168)
Tax effect of different tax rates	(5,130)	(4,743)
Tax effect of tax losses and deductible temporary differences not recognized	37,760	10,172
Tax effect of losses of offshore entities not recognized	6,025	1,970
Utilization of tax losses previously not recognized	(3,457)	(5,199)
Under provision in prior years	20,045	474
Withholding tax on undistributed profits of PRC subsidiaries	30,087	87,357
Effect of research and development expense (“R&D expenses”) deduction (Note)	<u>(317)</u>	<u>(2,520)</u>
Income tax expense for the year	<u>313,181</u>	<u>455,638</u>

Note: Expenditure on research and development activities is recognized as an expense in the period in which it is incurred. Enterprises incurring R&D expenses for new technology, new products or new craftsmanship can enjoy R&D super-deduction policy. In March 26, 2023, the Ministry of Finance of the People’s Republic of China and the State Taxation Administration of the People’s Republic of China issued Bulletin [2023] No. 7 to allow all enterprises (excluding those in exceptional industries) to enjoy an R&D super-deduction rate of 100% since 2023.

Under the EIT Law and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the Ministry of Finance of the Peoples Republic of China and State Taxation Administration on the Implementation of tax policies related to Small Enterprises with low profits (Bulletin [2023] No. 6), the portion of annual taxable income amount of certain entities which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount and subject to corporate income tax at a tax rate of 20% during the period from January 1, 2023 to December 31, 2027.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. No provision for taxation in Hong Kong has been made as the Group did not have assessable profit earned or derived from Hong Kong during the years ended December 31, 2024 and 2023.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

10. INCOME TAX EXPENSE – *continued*

The Group is operating in certain jurisdictions where the Pillar Two Rules are enacted but not effective. However, as the Group's consolidated annual revenue is expected to be less than EUR 750 million, the management of the Group is not liable to top-up tax under the Pillar Two Rules.

Under relevant tax law and implementation regulations in the PRC, dividends paid out of the net profits derived by the operating subsidiaries in Mainland China after 1 January 2008 are subject to the PRC withholding tax at a rate of 10% or a lower treaty rate in accordance with relevant tax laws in the PRC. Under the relevant tax treaty, withholding tax rate on distributions to Hong Kong resident companies is 5%. Withholding tax has been provided based on the anticipated level of dividend payout ratio of the entities in Mainland China. The Company and Fu Shou Yuan Group (Hong Kong) Limited as Hong Kong resident companies applied the withholding tax rate on distributions of 5% during the year of 2024 (2023: 10%).

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends for ordinary shareholders of the Company recognized as distributions during the year		
2024 Interim — HK 6.38cents (2023: 2023 Interim — HK 9.06 cents) per share	135,698	192,907
2024 Special Dividend — HK 21.39cents (2023: Nil) per share	454,884	—
2023 Final — HK 6.86 cents (2023: 2022 Final — HK 7.58 cents) per share	145,249	162,126
	735,831	355,033

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2024 of HK9.54 cents per share and a special dividend of HK38.82 cents per Share have been proposed by the Directors. The final dividend of HK9.54 cents per share is subject to approval by the shareholders in the forthcoming general meeting. The final dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, June 17, 2025. The special dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, April 11, 2025, Tuesday, July 15, 2025, Thursday, October 16, 2025, respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

12. EARNINGS PER SHARE

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

	2024	2023
Profit for the year attributable to owners of the Company (RMB'000)	373,134	791,240
Earnings for the purposes of basic earnings per share (RMB'000)	373,134	791,240
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,271,063,422</u>	<u>2,271,063,422</u>

No diluted earnings per share for the years ended December 31, 2023 and 2024 as there were no potential ordinary shares in issue.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2023	560,409	62,217	130,833	47,358	137,238	938,055
Additions	4,902	5,179	9,670	10,845	3,005	33,601
Acquired on acquisition of a subsidiary	9,127	—	463	204	—	9,794
Transfer	18,068	642	556	—	(19,266)	—
Disposals	(474)	(6,200)	(3,325)	(3,347)	—	(13,346)
At December 31, 2023	592,032	61,838	138,197	55,060	120,977	968,104
Additions	9,027	8,460	11,292	5,414	35,684	69,877
Transfer	9,339	—	1,645	—	(10,984)	—
Disposals	(1,815)	(326)	(8,633)	(6,389)	(2,810)	(19,973)
At December 31, 2024	608,583	69,972	142,501	54,085	142,867	1,018,008
DEPRECIATION AND IMPAIRMENT						
At January 1, 2023	201,194	53,187	79,203	32,610	—	366,194
Provided for the year	29,353	6,469	16,165	4,885	—	56,872
Eliminated on disposals	(470)	(5,211)	(2,577)	(2,936)	—	(11,194)
At December 31, 2023	230,077	54,445	92,791	34,559	—	411,872
Provided for the year	29,612	4,736	14,132	6,561	—	55,041
Eliminated on disposals	(1,570)	(265)	(7,983)	(6,069)	—	(15,887)
Impairment loss recognized in profit or loss (Note 17)	94	—	41	116	1,055	1,306
At December 31, 2024	258,213	58,916	98,981	35,167	1,055	452,332
CARRYING VALUES						
At December 31, 2023	361,955	7,393	45,406	20,501	120,977	556,232
At December 31, 2024	350,370	11,056	43,520	18,918	141,812	565,676

The above items of property and equipment other than construction in progress are depreciated on a straight-line basis, after taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land or useful life of buildings of 30 years
Leasehold improvements	Over the shorter of the remaining lease term or useful life of 5 years
Furniture, fixtures and equipment	9.50%–31.67%
Motor vehicles	19.00%–25.00%

As at December 31, 2024, the title certificates for certain buildings of the Group with carrying value of approximately RMB86,681,000 (2023: RMB79,425,000) had not been obtained.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

14. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
At December 31, 2024			
Carrying amount	<u>58,444</u>	<u>121,201</u>	<u>179,645</u>
At December 31, 2023			
Carrying amount	<u>60,082</u>	<u>43,486</u>	<u>103,568</u>
For the year ended December 31, 2024			
Depreciation charge	<u>(2,535)</u>	<u>(17,222)</u>	<u>(19,757)</u>
For the year ended December 31, 2023			
Depreciation charge	<u>(2,233)</u>	<u>(17,711)</u>	<u>(19,944)</u>
		2024	2023
		RMB'000	RMB'000
Expense relating to short-term leases		<u>1,139</u>	<u>1,268</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets		<u>5,643</u>	<u>3,263</u>
Variable lease payments not included in the measurement of lease liabilities		<u>286</u>	<u>300</u>
Total cash outflow for leases		<u>26,550</u>	<u>26,323</u>
Additions to right-of-use assets		<u>95,834</u>	<u>6,801</u>

For both years, the Group leases land and properties for its operations. Lease contracts are entered into for fixed term of 1 year to 25 years (2023: 1 year to 25 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at December 31, 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases entered during the year.

Restrictions or covenants on leases

In addition, lease liabilities of RMB131,296,000 (2023: RMB52,371,000) are recognized with related right-of-use assets of RMB121,201,000 (2023: RMB43,486,000) as at December 31, 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

15. INVESTMENT PROPERTY

	RMB'000
FAIR VALUE	
At January 1, 2023	6,509
Addition	—
Net increase in fair value recognized in profit or loss	—
At December 31, 2023	6,509
Addition	—
Net increase in fair value recognized in profit or loss	—
At December 31, 2024	6,509

The Group's property held for earn rentals and capital appreciation purposes is accounted for as investment property and measured using the fair value model.

In the opinion of the Directors, the fair value of investment property as at December 31, 2024 and December 31, 2023 approximates to the carrying value after taking account of market comparable data.

The following table gives information about how the fair values of these investment properties as at December 31, 2024 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorise based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the

Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key input(s)
Residential property located in Shanghai — completed property RMB6,509,000 (2023: RMB6,509,000)	Level 3	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property. The key input: Price per square meter RMB67,000 (2023: RMB67,000) (Note)

Note: Any significant isolated increases (decreases) in these inputs would result in a significantly higher (lower) fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

16. INTANGIBLE ASSETS

	Computer software RMB'000	Concession agreement RMB'000	License for provision of funeral services RMB'000	Total RMB'000
COST				
At January 1, 2023	42,745	264,543	11,808	319,096
Additions	7,075	47,815	—	54,890
At December 31, 2023	49,820	312,358	11,808	373,986
Additions	5,321	7,713	—	13,034
At December 31, 2024	55,141	320,071	11,808	387,020
AMORTISATION AND IMPAIRMENT				
At January 1, 2023	26,349	19,133	—	45,482
Provided for the year	8,395	10,335	—	18,730
At December 31, 2023	34,744	29,468	—	64,212
Provided for the year	7,107	14,622	—	21,729
Impairment loss recognized in profit or loss	—	43,777	—	43,777
At December 31, 2024	41,851	87,867	—	129,718
CARRYING VALUES				
At December 31, 2023	15,076	282,890	11,808	309,774
At December 31, 2024	13,290	232,204	11,808	257,302

Computer software has finite useful life and is amortized on a straight-line basis over its estimated useful life of 5 years.

Concession agreement

Concession agreement mainly represents the right obtained from a government body to provide services that give the public access to a funeral parlour or cemetery in accordance with a service concession arrangement, pursuant to which the Group is committed to upgrade and construct the relevant property and equipment and return it to the government body at the end of concession period. Concession agreement also represents the right obtained from an entity or an organization to perform the operation and management of a cemetery on its behalf within the concession period in accordance with a service concession agreement. The concession agreements are amortized over the agreed concession period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

16. INTANGIBLE ASSETS – *continued*

Concession agreement – *continued*

During the current year, based on the evaluation of the updated business environment and projection of operating cash flow of a cemetery project located in Liaoning Province under a service concession agreement, the management of the Group concluded there was indication for impairment and conducted impairment assessment on concession agreement with finite useful life with carrying amount of RMB43,777,000. The recoverable amount of the related concession agreement, within the burial services segments, is estimated individually and have been determined based on the value in use. The Group estimates the value in use of the concession agreement using a discount rate of 14%. The relevant intangible assets were impaired to the recoverable amount of nil, which is the carrying value at year end and the impairment of RMB43,777,000 has been recognized in profit or loss during the year.

License for provision of funeral services

The management is of the opinion that the Group would renew the license for provision of funeral services issued by the relevant authorities in Chongqing continuously with minimal cost and has the ability to do so. As such, the management considers such license carries an indefinite useful life and is carried at cost less any subsequent impairment losses, if any.

The license will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. During the years ended December 31, 2024 and 2023, the management determined that there was no impairment of license.

During the year ended December 31, 2024, the Group performed impairment review for the license of the cash-generating units (“CGUs”) of Chongqing Fushouyuan Life Science & Technology Co., Ltd (“Chongqing Fushouyuan Life Science”) based on cash flow forecasts. The key assumptions for the cash flow forecasts are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The cash flow forecasts derived from the most recent financial budgets for the next ten years were approved by management using pre-tax discount rate of 14% (2023: 14%) per annum which reflects current market assessments of the time value of money and the risks specific to the CGUs. The cash flows beyond the next 10 years (2023: 10 years) are extrapolated using a growth rate of 2.5% (2023: 3%) per annum. The growth rates are by reference to industry growth forecasts. The recoverable amount is above the carrying amount of CGUs. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

17. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to each of the individual CGUs relating to 24 subsidiaries (2023: 24). The movements of goodwill for the years ended December 31, 2024 and 2023 are as follows:

	RMB'000
<hr/>	
COST	
At January 1, 2023	1,091,243
Arising on acquisition of a subsidiary (Note 36)	37,806
At December 31, 2023 and 2024	<u>1,129,049</u>
 IMPAIRMENT	
At January 1, 2023 and December 31, 2023	—
Impairment loss recognized in the year	22,973
At December 31, 2024	<u>22,973</u>
 CARRYING VALUES	
At December 31, 2024	<u><u>1,106,076</u></u>
 At December 31, 2023	<u><u>1,129,049</u></u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

17. GOODWILL – *continued*

The carrying amounts of goodwill as at December 31, 2024 and 2023 are as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Shanghai Nanyuan Industrial Development Co., Ltd. ("Haigang Fu Shou Yuan")	9,595	9,595
Jinzhou Maoshan Anling Co., Ltd. ("Jinzhou Maoshan Anling")	3,738	3,738
Henan Fu Shou Yuan Industrial Co., Ltd. ("Henan Fu Shou Yuan")	14,769	14,769
Chongqing Baitayuan Funeral and Burial Development Co., Ltd. ("Chongqing Baitayuan")	47,458	47,458
Nanchang Fu Shou Yuan Funeral Co., Ltd. ("Meilin Century Cemetery")	18,899	18,899
Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd. ("Guanlingshan Cultural Cemetery")	47,245	47,245
Wuyuan Wanshoushan Lingyuan Co., Ltd. ("Wuyuan Wanshoushan Cemetery")	36,107	36,107
Anyang Fu Shou Yuan Civil Service Co., Ltd. ("Anyang Tianshouyuan Cemetery")	2,425	2,425
Changzhou Qifengshan International Cemetery Co., Ltd. ("Changzhou Qifengshan Cemetery")	87,425	87,425
Zaozhuang Fu Shou Yuan Funeral and Burial Service Co., Ltd. ("Zaozhuang Shanting Xingtai")	—	22,973
Luoyang Xianhe Memorial Cemetery Co., Ltd. ("Luoyang Xianhe Cemetery")	23,451	23,451
Beijing Temshine Cemetery Design Group Ltd. ("Temshine")	23,433	23,433
Guangxi Huazuyuan Investment Co., Ltd. ("Guangxi Huazuyuan Cemetery")	22,756	22,756
Chaoyang Longshan Fuyuan Cemetery Co., Ltd. ("Chaoyang Longshan Cemetery")	12,903	12,903
Zheng'an Fu Shou Yuan Industrial Co., Ltd. ("Guizhou Tianyuanshan")	19,123	19,123
Inner Mongolia Fu Shou Yuan Industrial Co., Ltd. ("Helinge'er Anyou Cemetery")	35,721	35,721
Hubei Tiansheng Cemetery Co., Ltd. ("Hubei Tiansheng Cemetery")	13,560	13,560
Jinsha Fu Shou Yuan Industrial Co., Ltd. ("Jinsha Fuze")	66,176	66,176
Harbin Mingxiyuan Cemetery Co., Ltd. ("Harbin Mingxiyuan Cemetery")	352,880	352,880
Anhui Longmen Culture Cemetery Co., Ltd. ("Anhui Longmen")	90,673	90,673
Heze Fuluyuan Culture Cemetery Co., Ltd. ("Heze Fuluyuan")	101,226	101,226
Zhengzhou Anletang Funeral Service Co., Ltd. ("Zhengzhou Anletang")	1,113	1,113
Zhuolu Yuanbaoshan	37,594	37,594
Yan'an Hongfu Cemetery Co., Ltd. ("Yan'an Hongfu")	37,806	37,806
	1,106,076	1,129,049



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

17. GOODWILL – *continued*

In addition to goodwill above, property and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the above CGUs has been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding projections of cash flows and discount rates based on management's view of future business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates in the first ten-year period are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The major underlying assumptions are summarized below.

All these calculations use cash flow projections based on financial budgets approved by management covering a ten-year (2023: ten-year) period and pre-tax discount rate of 14% (2023: 14%). Cash flow beyond that ten-year period are extrapolated using a steady 2.5% (2023: 3%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the respective carrying amount of Haigang Fu Shou Yuan, Jinzhou Maoshan Anling, Henan Fu Shou Yuan, Chongqing Baitayuan, Meilin Century Cemetery, Guanlingshan Cultural Cemetery, Wuyuan Wanshoushan Cemetery, Anyang Tianshouyuan Cemetery, Changzhou Qifengshan Cemetery, Luoyang Xianhe Cemetery, Temshine, Guangxi Huazuyuan Cemetery, Chaoyang Longshan Cemetery, Guizhou Tianyuanshan, Helinge'er Anyou Cemetery, Hubei Tiansheng Cemetery, Jinsha Fuze, Harbin Mingxiyuan Cemetery, Anhui Longmen, Heze Fuluyuan, Zhengzhou Anletang, Zhuolu Yuanbaoshan and Yan'an Hongfu to exceed the respective recoverable amount of the respective CGUs.

During the current year, based on the evaluation of the updated business environment and projection of operating cash flow of Zaozhuang Shanting Xingtai, the management conducted impairment assessment and recognized full impairment losses of RMB22,973,000, RMB1,306,000 and RMB36,137,000 in respect of the carrying amounts of related goodwill, property and equipment and cemetery assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

18. CEMETERY ASSETS

	Leasehold land	Landscape facilities	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2023	1,513,425	417,923	425,717	2,357,065
Additions	120,085	5,175	45,467	170,727
Acquired on acquisition of a subsidiary	79,948	—	5,628	85,576
Transfer to inventories	(36,322)	(1,806)	(2,210)	(40,338)
Disposal	(5,557)	(3,367)	—	(8,924)
At December 31, 2023	1,671,579	417,925	474,602	2,564,106
Additions	19,546	17,438	17,436	54,420
Transfer to inventories	(17,210)	(4,305)	(3,911)	(25,426)
Disposal	—	(1,250)	—	(1,250)
At December 31, 2024	1,673,915	429,808	488,127	2,591,850
AMORTISATION AND IMPAIRMENT				
At January 1, 2023	226,852	134,311	65,252	426,415
Provided for the year	38,273	21,949	10,841	71,063
Eliminated on transfer	(2,941)	(144)	(121)	(3,206)
Disposal	(2,175)	(2,643)	—	(4,818)
At December 31, 2023	260,009	153,473	75,972	489,454
Provided for the year	42,118	23,135	11,399	76,652
Eliminated on transfer	(2,363)	(2,300)	(688)	(5,351)
Disposal	—	(451)	—	(451)
Impairment loss recognized in profit or loss (Note 17)	30,230	843	5,064	36,137
At December 31, 2024	329,994	174,700	91,747	596,441
CARRYING VALUES				
At December 31, 2023	<u>1,411,570</u>	<u>264,452</u>	<u>398,630</u>	<u>2,074,652</u>
At December 31, 2024	<u>1,343,921</u>	<u>255,108</u>	<u>396,380</u>	<u>1,995,409</u>

The leasehold land mainly represents leasehold land located in Mainland China having finite useful lives which are amortized on a straight-line basis over the lease terms. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

18. CEMETERY ASSETS – continued

Landscape facilities represent the construction cost of facilities such as arbors and bridges in the mausoleum. Amortisation for landscape facilities is provided on a straight-line basis over shorter of the remaining lease term of land or useful life of 20 years.

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

Upon commencement of development of the cemetery with the intention of sale in the ordinary course of business of the Group, the related carrying amounts of cemetery assets are transferred to inventories.

19. RESTRICTED DEPOSITS

Restricted deposits represent the deposits which are placed in designated joint controlled bank accounts with local funeral associations. In accordance with the requirements of local authorities, the balances are provided based on certain percentages of cemetery sales of certain subsidiaries for the use of cemetery maintenance. The restricted deposits can be drawn only with simultaneous approvals from both sides of the subsidiary and the respective funeral association for cemetery maintenance expenditure.

20. INVESTMENT IN A JOINT VENTURE

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cost of investment in a joint venture	94,782	79,820
Share of loss of a joint venture	(40,369)	(37,636)
	54,413	42,184

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity [#]	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Cost of investment by the Group		Principal activity
			2024 %	2023 %	2024 %	2023 %	2024 RMB'000	2023 RMB'000	
Jiaxing Fuji Equity Investment Partnership (Limited Partnership) 嘉興福冀股權投資合夥企業(有限合伙) ("Jiaxing Fuji") (Note)	PRC	PRC	49.85	49.89	40.00	40.00	94,782	79,820	Investment holding

[#]: The English name of the joint venture established in the PRC is translated for identification purpose only.

Note: During the year, the Group and other general partner of Jiaxing Fuji made additional investment in Jiaxing Fuji in the same proportion of ownership interest. Jiaxing Fuji received RMB14,962,000 from the Group and hence, the Group's cost of investment increased from RMB79,820,000 to RMB94,782,000 as at December 31, 2024.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

20. INVESTMENT IN A JOINT VENTURE – *continued*

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS Accounting Standards.

Jiaxing Fuji

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	<u>123,025</u>	<u>101,090</u>
Non-current assets	<u>155,915</u>	<u>158,544</u>
Current liabilities	<u>141,542</u>	<u>150,735</u>

The above amounts of assets and liabilities include the following:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cash and cash equivalents	<u>20,889</u>	<u>9,696</u>
Current financial liabilities (excluding trade and other payables and provisions)	<u>39,300</u>	<u>38,000</u>

	2024 RMB'000	2023 RMB'000
Revenue	<u>45,312</u>	<u>39,605</u>
Loss and total comprehensive expense for the year	<u>(1,462)</u>	<u>(44,449)</u>
Loss and total comprehensive expense for the year attributable to:		
Owners of the Company	<u>(3,776)</u>	<u>(31,348)</u>
Non-controlling interests	<u>2,314</u>	<u>(13,101)</u>
	<u>(1,462)</u>	<u>(44,449)</u>

The carrying amount of the interest in Jiaxing Fuji recognized in the consolidated financial statements was adjusted by the priority distribution of profits. Hence, the share of loss of a joint venture was RMB2,733,000 during the year of 2024 (2023: RMB18,436,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized by the Group and movements thereon during the years ended December 31, 2024 and 2023:

	Withholding tax on undistributed profit from the PRC ^(note 1)	Contract liabilities	Tax losses	Loss allowance	Fair value Adjustment ^(note 2)	Right-of-use assets	Lease liabilities	Cemetery assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	–	59,560	17,817	1,884	(132,186)	(15,698)	15,698	–	(52,925)
(Charge) credit to profit or loss (Note 10)	(87,357)	11,348	(934)	(110)	5,416	3,902	(2,606)	–	(70,341)
At December 31, 2023	(87,357)	70,908	16,883	1,774	(126,770)	(11,796)	13,092	–	(123,266)
Credit (Charge) to profit or loss (Note 10)	57,270	9,623	(12,211)	15,363	7,971	(18,693)	18,613	15,390	93,326
At December 31, 2024	(30,087)	80,531	4,672	17,137	(118,799)	(30,489)	31,705	15,390	(29,940)

Note 1: Such withholding tax has been accrued and will be paid out only when relevant profits are remitted from Mainland China subsidiaries to the Hong Kong company.

Note 2: Fair value adjustment mainly refers to revaluation of property and equipment and cemetery assets upon the business combination arose from acquisition of subsidiaries.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Deferred tax assets	120,956	92,871
Deferred tax liabilities	(150,896)	(216,137)
	(29,940)	(123,266)

The deferred tax balances have reflected the tax rates that are expected to apply in the respective years when the asset is realized or the liability is settled.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

21. DEFERRED TAXATION – *continued*

The Group has unused tax losses of the PRC subsidiaries and offshore subsidiaries of approximately RMB284,385,000 (2023: RMB197,043,000) as at December 31, 2024. Deferred tax assets have been recognized in respect of approximately RMB24,232,000 (2023: RMB67,532,000) of such losses as at December 31, 2024. No deferred tax assets of the offshore subsidiaries have been recognized in respect of the remaining approximately RMB63,403,000 (2023: RMB39,303,000) as at December 31, 2024 due to the unrecognized losses of offshore entities which can be utilized indefinitely. No deferred tax assets of the PRC subsidiaries have been recognized in respect of the remaining approximately RMB196,750,000 (2023: RMB90,208,000) as at December 31, 2024 due to the unpredictability of future profit streams.

Pursuant to the rules and regulations in the PRC, the unrecognized tax losses at the end of each reporting period will expire in five years. The deductible tax losses as follows:

	31/12/2024	31/12/2023
	RMB'000	RMB'000
2024	—	4,191
2025	9,305	12,108
2026	58,770	38,474
2027	21,600	13,507
2028	32,625	21,928
2029	74,450	—
	196,750	90,208

At the end of the reporting period, the Group has deductible temporary differences of RMB77,711,000. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

22. INVENTORIES

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Burial plots	450,015	415,344
Tombstone	86,983	90,308
Others	39,328	52,339
	576,326	557,991

As at December 31, 2024, inventories are net of a write-down of RMB32,875,000 (2023: RMB6,224,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

23. TRADE AND OTHER RECEIVABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade receivables from contract with customers	125,217	144,131
Less: Allowance for credit losses	<u>(27,002)</u>	<u>(5,018)</u>
	98,215	139,113
Other receivables comprise:		
Prepayments and rental deposits on properties	3,849	2,938
Staff advances	465	757
Deposits for projects	6,618	6,865
Prepayments to suppliers	1,171	13,913
Interest receivables	195	3,129
Receivables from disposal of equity investment (Note)	—	30,861
Loans to third parties in connection with a cemetery project	12,192	12,192
Others	11,818	12,615
Less: Allowance for credit losses	<u>(1,601)</u>	<u>—</u>
	132,922	222,383

Note: In December 2023, Shanghai FSY Industry Group Co., Ltd. (“Shanghai Fu Shou Yuan”) entered into an agreement with the controlling shareholder of Changchun Huaxia Cemetery Co., Ltd. (“Huaxia Cemetery”) to dispose its equity interest for a consideration of RMB30,861,000. Therefore, as at December 31, 2023, the equity investment in Huaxia Cemetery was derecognized and the above-mentioned consideration was fully received in January 2024.

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB137,875,000.

The aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of reporting period is as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within one year	42,459	71,594
Over one year but less than two years	34,166	36,759
Over two years but less than three years	10,537	29,292
Over three years but less than four years	10,427	840
Over four years but less than five years	<u>626</u>	<u>628</u>
	98,215	139,113

Certain portion of trade receivables of sales of cremation machines with instant settlement arrangement is not considered past due as the Group maintains good relationship with the customers and do not notice any delay or expected delay in payment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Unlisted cash management products	589,176	776,501
	<u>589,176</u>	<u>776,501</u>
Analysed for reporting purposes as:		
Current assets	589,176	776,501
Non-current assets	—	—
	<u>589,176</u>	<u>776,501</u>

Unlisted cash management products

During the year, the Group entered into a number of cash management products as part of its treasury management.

Details of the cash management products as at December 31, 2024 are as follows:

Bank	Name of products (Note)	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal- guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈1號)	RMB	98,932	Redeemable on call after 1 work day on work day	1.38%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (“天添利普惠計劃”)	RMB	72,893	Redeemable on call after 1 work day on work day	1.81%	N
Subtotal		RMB	<u>171,825</u>			
Bank of Shanghai	Yi Jing Ling (易精靈)	RMB	51,835	Redeemable on call after 1 work day on work day	1.59%	N
Subtotal		RMB	<u>51,835</u>			
Shanghai Rural Commercial Bank	Ji Ji Xin Li (公司款季季鑫利 3個月定開)	RMB	35,000	Redeemable on call after 90 work days on work day	2.15%~2.95%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利19026期)	RMB	30,057	Redeemable on call after 180 work days on work day	2.25%~3.05%	N
Subtotal		RMB	<u>65,057</u>			
China Industrial Bank	Xing Yin Li Cai Tian Li Kuai Xian F 興銀理財添利快錢F	RMB	140,600	Redeemable on call after 1 work day on work day	2.06%	N
Subtotal		RMB	<u>140,600</u>			
China Construction Bank	Heng Ying Fa Ren Ban (恒贏(法人版))	RMB	139,601	Redeemable on call after 1 work day on work day	1.75%	N
China Construction Bank	Jia Xin Gu Shou Lei An Ri (嘉鑫固收類按日)	RMB	20,258	Redeemable on call after 1 work day on work day	1.79%	N
Subtotal		RMB	<u>159,859</u>			
Total		RMB	<u>589,176</u>			

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

Unlisted cash management products – *continued*

Details of the cash management products as at December 31, 2023 are as follows:

Bank	Name of products (Note)	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal- guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈1號)	RMB	91,202	Redeemable on call after 1 work day on work day	2.37%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (“天添利普惠計劃”)	RMB	147,934	Redeemable on call after 1 work day on work day	2.19%	N
Shanghai Pudong Development Bank	Gong Si Tian Li (公司添利23JG5171期)	RMB	30,277	February 2, 2024	0.10% or 3.70%	Y
Subtotal		RMB	269,413			
Bank of Shanghai	Yi Jing Ling (易精靈)	RMB	50,000	Redeemable on call after 1 work day on work day	1.95%	N
Subtotal		RMB	50,000			
Shanghai Rural Commercial Bank	Ji Ji Xin Li (公司款季季鑫利3個 月定開)	RMB	35,206	Redeemable on call after 90 work days on work day	2.45%-3.35%	N
Shanghai Rural Commercial Bank	Tian Tian Ying (天天盈C款)	RMB	31,109	Redeemable on call after 1 work day on work day	2.18%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利19026期)	RMB	30,057	Redeemable on call after 180 work days on work day	2.65%-3.55%	N
Subtotal		RMB	96,372			
China Industrial Bank	Jin Xue Qiu Wen Li Ji Ji Feng (金雪球穩利季季豐)	RMB	101,737	March 2, 2024	3.00%-3.50%	N
China Industrial Bank	Jin Xue Qiu Wen Li Lu Lu Fa (金雪球穩利陸陸發)	RMB	101,696	June 2, 2024	3.30%-3.80%	N
Subtotal		RMB	203,433			
China Construction Bank	Heng Ying Fa Ren Ban (恒贏(法人版))		157,283	Redeemable on call after 1 work day on work day	2.04%	N
Subtotal		RMB	157,283			
Total		RMB	776,501			

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

The cash management products have been accounted for as financial assets at FVTPL on initial recognition. In the opinion of the Directors, the fair value of the cash management products at December 31, 2024 and December 31, 2023 approximated their carrying amounts.



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FOR THE YEAR ENDED DECEMBER 31, 2024

25. TIME DEPOSITS

	31/12/2024 RMB'000	31/12/2023 RMB'000
– RMB	365,087	339,415
– US Dollar (“US\$”)	30,921	28,331
	<u>396,008</u>	<u>367,746</u>
Analysed for reporting purposes as:		
Current assets	188,375	167,746
Non-current assets	207,633	200,000
	<u>396,008</u>	<u>367,746</u>

As at December 31, 2024, the Group had fixed-term deposits of RMB396,008,000 in banks with original maturity of six months to three years and fixed interest rate ranging from 1.60% to 4.43% per annum. (December 31, 2023: fixed interest rate ranging from 1.50% to 5.47% per annum).

26. BANK BALANCES AND CASH

Bank balances of the Group denominated in RMB, HK\$, US\$ and Japanese Yen (“JPY”) carry variable interest rate as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Interest rate per annum		
– RMB	0.10%–1.35%	0.20%–2.03%
– HK\$	0.01%–3.74%	0.01%
– US\$	0.05%	0.05%
– JPY	–	0.0001%

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
HK\$	560,431	46,280
US\$	7,886	2,270
JPY	–	5,921
	<u>568,317</u>	<u>54,471</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. TRADE AND OTHER PAYABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade payables	<u>319,760</u>	<u>306,832</u>
Other payables comprise:		
Advances and deposits from customers	17,829	20,334
Payables for acquisition of property and equipment	—	604
Salary, welfare and bonus payables	130,860	152,551
Other accrued expenses	25,721	45,350
Consideration payables for acquisition of subsidiaries	22,217	31,773
Reimbursed payables due to third parties (Note)	—	43,377
Others	<u>151,177</u>	<u>57,523</u>
	<u>667,564</u>	<u>658,344</u>

Note: In June 2022, reimbursed payables due to third parties of RMB57,829,000 were recognized at the date of acquisition of Zhuolu Yuanbaoshan. During the period from the date of acquisition to December 31, 2023, the Group settled RMB14,452,000 and the remaining balance of reimbursed payables due to third parties of RMB43,377,000 was exempted by the creditors and was therefore recorded in other income, gains and losses in 2024.

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
0–90 days	75,060	89,307
91–180 days	22,450	25,971
181–365 days	48,263	50,117
Over 365 days	<u>173,987</u>	<u>141,437</u>
	<u>319,760</u>	<u>306,832</u>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. CONTRACT LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cemetery maintenance services	585,101	551,800
Sales of pre-need contracts	52,542	48,442
	637,643	600,242
Current	123,435	105,808
Non-current	514,208	494,434
	637,643	600,242

As at 1 January 2023, contract liabilities amounted to RMB552,693,000.

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

Cemetery maintenance services

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.

During the year ended December 31, 2024, the contract liability of RMB58,992,000 (2023: RMB51,485,000) recorded at the beginning of the year was recognized as revenue as the cemetery maintenance services were offered.

Sales of pre-need contracts

Sales of pre-need contracts is sales of funeral services based on a contract prior to death occurring. The payment is due when the pre-need contract is signed, this gives rise to contract liabilities at the start of a contract, until the revenue is recognized when the funeral service is offered. Therefore, this part of advance payment is classified as current liabilities of the Group.

During the year ended December 31, 2024, the contract liability of RMB2,848,000 (2023: RMB2,986,000) recorded at the beginning of the year was recognized as revenue as the funeral services were offered.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. BORROWINGS

	Maturity Date	Effective interest rate	Carrying amount	
			31/12/2024 RMB'000	31/12/2023 RMB'000
Fixed-rate borrowings: Unsecured bank loan	October 23, 2024	5.50%	—	200,000

30. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Chongqing Guolong Agricultural Science and Technology Development Co. Ltd.* (Note 1) (重慶國隆農業科技發展有限公司)	18,524	18,130
Individual A (Note 1)	270	258
Individual B and Individual C (Note 2)	11,672	11,050
	30,466	29,438
Current	30,466	29,438
Non-current	—	—
	30,466	29,438

* The English name of the entity established in the PRC is translated for identification purpose only.

Note 1: The loans from Chongqing Guolong Agricultural Science and Technology Development Co. Ltd. and Individual A were extended in 2024 and carry a fixed interest rate at 4.35% and 6.00% per annum respectively. They are due within one year from the extension date.

Note 2: In 2021, Shanghai Fu Shou Yuan lent RMB101,720,000 to Heze Fuluyuan with zero interest rate in connection with the acquisition of the landbank. After the acquisition of Heze Fuluyuan in December 2021, the non-controlling shareholders of Heze Fuluyuan, named Individual B and Individual C, and Shanghai Fu Shou Yuan entered into a supplementary agreement in June 2022, whereby Shanghai Fu Shou Yuan agreed to transfer part of the creditor's right amounting to RMB10,172,000 to Individual B and Individual C as part of the consideration for the acquisition of Heze Fuluyuan, resulting in loans from non-controlling shareholders of subsidiaries. During the year of 2024, Individual B and Individual C also provided an additional loan of RMB622,000 (2023: RMB878,000) to Heze Fuluyuan for construction of cemetery projects. As at December 31, 2024, the balance of the loan from Individual B and Individual C was RMB11,672,000 (December 31, 2023: RMB11,050,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

31. LEASE LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Lease liabilities payable:		
Within one year	19,752	23,156
Within a period of more than one year but not exceeding two years	17,282	13,119
Within a period of more than two years but not exceeding five years	24,647	15,124
Within a period of more than five years	69,615	972
Subtotal	<u>131,296</u>	<u>52,371</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(19,752)</u>	<u>(23,156)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>111,544</u>	<u>29,215</u>

The weighted average incremental borrowing rates applied to lease liabilities is 3.86% (2023: 4.20%).

32. OTHER LONG-TERM LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Liabilities for leasehold land	29,382	39,075
Concession payables	44,964	45,111
Other	10,955	11,765
	<u>85,301</u>	<u>95,951</u>

33. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount US\$
Ordinary shares of US\$0.01 each		
Authorized:		
At January 1, 2023, December 31, 2023 and December 31, 2024	<u>20,000,000,000</u>	<u>200,000,000</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

33. SHARE CAPITAL OF THE COMPANY – *continued*

	Number of shares	Amount US\$	Shown in the consolidated financial statements as RMB'000
Issued and fully paid:			
At January 1, 2023, at December 31, 2023, at December 31, 2024	<u>2,319,863,422</u>	<u>23,198,634</u>	<u>142,148</u>

34. RESERVES

Statutory surplus reserve

As stipulated by the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their respective boards of directors annually. The appropriation, however, must be at least 10% of profit after tax and may cease when the fund balance reaches 50% of the registered capital of the PRC subsidiaries. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalization issue.

Special reserve

The special reserve consisted of an amount of RMB5,000,000 representing deemed contribution from the equity holders pursuant to a Group's reorganization and an amount of RMB79,667,000 representing deemed contribution from the founding shareholders as a result of a waiver of liabilities by such founding shareholders prior to the Company's listing.

Other reserve

Other reserve represents the difference between the proportionate share of the carrying amount of the net assets of non-wholly owned subsidiaries transferred from non-controlling interests and the consideration paid to acquire the respective from non-controlling interests.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

35. SHARE-BASED COMPENSATION

Restricted Share Incentive Scheme

The Company has adopted a restricted share incentive scheme on November 29, 2019 to provide incentive or reward to Eligible Participants including the Directors and employees for their contribution or potential contribution to the Company. The Company entered into a trust deed with the Computershare Hong Kong Trustees Limited as the trustee for the administration of the scheme.

During the year of 2024, the trustee of the restricted share incentive scheme purchased nil (2023: nil) of the Company's shares from the open market.

The shares purchased by the trustee that are not yet granted for this restricted share incentive scheme were recorded as treasury shares of the Group. As at December 31, 2024, there were 48,800,000 (2023: 48,800,000) treasury shares held through the trustee of the restricted share incentive scheme, and no such shares have been granted.

36. ACQUISITION OF SUBSIDIARIES

There was no acquisition of subsidiaries during the year ended December 31, 2024.

The following acquisition has been completed during the year ended December 31, 2023.

Acquisition of 100% equity interest in Yan'an Hongfu

In June 2023, Shanghai Fu Shou Yuan entered into an agreement with Jiaxing Fuji to acquire equity interest in Yan'an Hongfu for a total consideration of RMB41,000,000. The acquisition has been completed in June 2023 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB37,806,000. Yan'an Hongfu is mainly engaged in burial service and was acquired as part of the Group's expansion. As at December 31, 2023, the Group has acquired 100% equity interest in Yan'an Hongfu.

Consideration transferred

	RMB'000
Cash consideration paid in 2023	<u>41,000</u>

As at December 31, 2023, the Group has fully paid the consideration to acquire Yan'an Hongfu.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

36. ACQUISITION OF SUBSIDIARIES – *continued*

Acquisition of 100% equity interest in Yan'an Hongfu – *continued*

Assets acquired and liabilities recognized at the date of acquisition

	RMB'000
Property and equipment	9,794
Cemetery assets	85,576
Trade and other receivables	201
Bank balances and cash	6,397
Salary, welfare and bonus payables	(81)
Trade and other payables	(86,355)
Contract liabilities	(450)
Other long-term liabilities	(11,888)
	<hr/>
Net assets acquired	3,194

Goodwill arising on acquisition

	RMB'000
Consideration transferred	41,000
Less: recognized amounts of net assets acquired	(3,194)
	<hr/>
Total	37,806

Goodwill arose in the acquisition of Yan'an Hongfu because the consideration for the combination effectively included amounts in relation to the future business growth of Yan'an Hongfu. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the above acquisition is expected to be deductible for the tax purposes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

36. ACQUISITION OF SUBSIDIARIES – *continued*

Acquisition of 100% equity interest in Yan'an Hongfu – *continued*

Net cash outflow on acquisition of Yan'an Hongfu

	RMB'000
Consideration paid in cash	41,000
Less: cash and cash equivalents acquired	<u>(6,397)</u>
Total	<u><u>34,603</u></u>

Impact of acquisition on the results of the Group

Included in the profit for the year ended 2023 is a loss of approximately RMB2,501,000 which is attributable to Yan'an Hongfu.

Had the acquisition been completed on January 1, 2023, total Group revenue for the year ended 2023 would have been RMB2,629,179,000 and profit for the year would have been RMB973,991,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2023, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had Yan'an Hongfu been acquired at the beginning of the current year, the Directors have calculated depreciation of property and equipment, cemetery assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which mainly includes borrowings, loans from non-controlling shareholders of subsidiaries, lease liabilities, other long-term liabilities, net of restricted deposits, time deposits, bank balances and cash, and equity attributable to owners of the Company, comprising share capital, retained profits, other reserves and non-controlling interests.

The Directors review the capital structure on an on-going basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Financial assets		
At FVTPL	589,176	776,501
At amortised cost	<u>2,677,660</u>	<u>2,961,769</u>
Financial liabilities		
At amortised cost	<u>604,184</u>	<u>771,103</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include restricted deposits, time deposits, bank balances and cash, trade and other receivables, other long-term assets, financial assets at FVTPL, trade and other payables, borrowings, loans from non-controlling shareholders of subsidiaries, dividends payable, lease liabilities and other long-term liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The primary economic environment in which the Group and its principal subsidiaries operate is the PRC and their functional currency is RMB. However, certain bank balances, time deposits are denominated in foreign currencies, which expose the Group to foreign currency risk. The management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates and control currency exposure position.

The carrying amounts of the Group's major foreign currency denominated monetary assets as at December 31, 2024 and 2023 are as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Assets		
US\$	38,807	30,601
HK\$	530,964	46,280
JPY	<u>—</u>	<u>5,921</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – continued

Currency risk – continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. A sensitivity rate of 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates.

A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against the relevant foreign currencies, whereas a positive number indicates an increase in post-tax profit. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the post-tax profit.

	31/12/2024 RMB'000	31/12/2023 RMB'000
If RMB strengthens against US\$	<u><u>(1,455)</u></u>	<u><u>(1,148)</u></u>
If RMB strengthens against HK\$	<u><u>(21,016)</u></u>	<u><u>(1,736)</u></u>
If RMB strengthens against JPY	<u><u>—</u></u>	<u><u>(222)</u></u>

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed interest rate time deposits, lease liabilities, borrowings, other long-term liabilities and loans from non-controlling shareholders of subsidiaries.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and restricted deposits.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Market risk – continued

Interest rate risk – continued

Total interest income from financial assets that are measured at amortised cost is as follows:

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Financial assets at amortised cost	21,811	17,341

Interest expense on financial liabilities not measured at FVTPL and lease liabilities:

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Financial liabilities at amortised cost	13,849	5,033
Lease liabilities	2,573	2,359
	16,422	7,392

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing financial instruments. The analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 10-basis point increase or decrease in deposit interest rates and a 50-basis point increase or decrease in lending interest rates represent management's assessment of the reasonably possible change in interest rates.

If the deposit interest rate had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2024 would have been increased/decreased by approximately RMB2,057,000 (2023: RMB2,371,000).

If the lending interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2024 would have been decreased/increased by approximately RMB492,000 (2023: RMB196,000).

Other price risk

The Group is exposed to other price risk through its investments in unlisted financial products as financial assets at FVTPL. The management considers alternative tools to mitigate other price risk and manages this exposure by maintaining a portfolio of investments with different risks.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances and cash, time deposits and restricted deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below:

Trade receivables arising from contracts with customers

The Group ordinarily demands its customers for full cash settlement prior to or upon the delivery of burial service. The Group may allow a credit period to its customers for sales of cremation machines, provision of landscape and garden design services, and services offered to local funeral administration authorities. Before accepting any new customer asking for credit period, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The Group has concentration of credit risk on trade receivables. At December 31, 2024, the Group's largest and five largest customers accounted for approximately 17% (2023: 13%) and 52% (2023: 52%) of the total trade receivables, respectively. In order to minimise the credit risk, before accepting any new customer asking for credit period, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken when overdue debts occur. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for customers with good credit rating and credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment amount of RMB21,984,000 is recognized during the year (2023: RMB41,000 reversed).

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customers with good credit rating and credit-impaired. The remaining customers are estimated collectively by using a provision matrix estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as forward looking information at the year end.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – continued

Other receivables

For other receivables, the Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Impairment amount of RMB1,601,000 is recognized based on individual assessment for credit-impaired other receivables during the year (2023: Nil).

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Descriptions	Trade receivables and contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit – impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL – not credit – impaired	12m ECL
Doubtful	Amount is > 30 days pass due or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit – impaired	Lifetime ECL – not credit – impaired
Loss	Amount is > 90 days pass due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit – impaired	Lifetime ECL – credit – impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – continued

Other receivables – continued

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2024 RMB'000	Gross carrying amount 2023 RMB'000
Financial assets at amortised cost					
Bank balances and cash	26	Low risk	12m ECL	2,056,626	2,295,467
Time deposits	25	Low risk	12m ECL	396,008	367,746
Restricted deposits	19	Low risk	12m ECL	96,395	89,424
Other long-term assets		Low risk	12m ECL	5,000	5,000
Other receivables	23	Note 1	12m ECL	25,416	65,019
Other receivables	23	Note 1	Lifetime ECL	1,601	—
Trade receivables	23	Note 2	Lifetime ECL (collective assessment)	35,928	35,478
Trade receivables	23	Note 2	Lifetime ECL (individual)	89,289	108,653
Other item					
Contract assets		Low risk	Lifetime ECL	13,559	13,473

Note 1: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2024	Past due RMB'000	Not past due RMB'000	Total RMB'000
Other receivables	1,601	25,416	27,017
2023			
	Past due RMB'000	Not past due RMB'000	Total RMB'000
Other receivables	—	65,019	65,019



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Credit risk and impairment assessment – continued

Other receivables – continued

Note 2: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customers with good credit rating and credit-impaired. At the and the remaining customers are estimated collectively by using a provision matrix estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as forward looking information at the period end.

Movement of loss allowance on trade receivables and contract assets for the years ended December 31, 2023 and 2024:

	Lifetime ECL (not-credit impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
At January 1, 2023	5,059	—	5,059
– Transfer to credit-impaired	(3,723)	3,723	—
– Impairment losses recognised	895	19,993	20,888
– Impairment losses reversed	(1,336)	(19,593)	(20,929)
At December 31, 2023	895	4,123	5,018
– Impairment losses recognised	—	21,984	21,984
At December 31, 2024	895	26,107	27,002

Liquidity risk

In the management of liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

b. Financial risk management objectives and policies – *continued*

Liquidity risk – continued

Liquidity tables

The following tables detail the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from the applicable interest rates as at December 31, 2024 and 2023.

	Weighted average rate %	Repayable on demand or less than 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2024							
Trade and other payables	—	378,293	—	—	—	378,293	378,293
Dividends payable	—	110,124	—	—	—	110,124	110,124
Loans from non-controlling shareholders of subsidiaries							
— fixed rate	2.70%	31,288	—	—	—	31,288	30,466
Lease liabilities	3.86%	20,514	18,291	27,801	84,130	150,736	131,296
Other long-term liabilities	4.00%	—	12,021	18,579	69,499	100,099	85,301
		<u>540,219</u>	<u>30,312</u>	<u>46,380</u>	<u>153,629</u>	<u>770,540</u>	<u>735,480</u>

	Weighted average rate %	Repayable on demand or less than 1 year RMB'000	1 year to 2 years RMB'000	2 year to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2023							
Trade and other payables	—	268,276	141,438	—	—	409,714	409,714
Dividends payable	—	36,000	—	—	—	36,000	36,000
Loans from non-controlling shareholders of subsidiaries							
— fixed rate	2.73%	30,242	—	—	—	30,242	29,438
Borrowings							
— fixed rate	5.50%	202,078	—	—	—	202,078	200,000
Lease liabilities	4.20%	24,129	13,954	16,438	2,203	56,724	52,371
Other long-term liabilities	4.00%	—	9,538	19,225	77,085	105,848	95,951
		<u>560,725</u>	<u>164,930</u>	<u>35,663</u>	<u>79,288</u>	<u>840,606</u>	<u>823,474</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – continued

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following tables give information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31/12/2024	31/12/2023		
Financial assets at FVTPL	Cash management products in PRC with principal of RMB589,176,000	Cash management products in PRC with principal of RMB776,501,000	Level 3	Discounted cash flows Key unobservable input is: (1) Expected return; (2) Risk-adjusted discount rate (Note)

Note: The Directors consider that the impact of the fluctuation in expected discount rate of the cash management products was insignificant as the cash management products have short maturities, and therefore no sensitivity analysis is presented.

There is no transfer among level 1, 2 and 3 during the period.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000
At January 1, 2023	525,993
Total gains in profit or loss	39,667
Purchase	654,000
Disposals/settlements	(443,159)
At December 31, 2023	<u>776,501</u>
Total gains in profit or loss	44,753
Purchase	192,000
Disposals/settlements	(424,078)
At December 31, 2024	<u>589,176</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

38. FINANCIAL INSTRUMENTS – *continued*

c. Fair value measurements of financial instruments – *continued*

Reconciliation of Level 3 fair value measurements – continued

Of the total other income, gains and losses for the period included in profit or loss, RMB675,000 gain (2023: RMB601,000 loss) relates to financial assets at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL are included in ‘other income, gains and losses’.

Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

39. CAPITAL AND OTHER COMMITMENTS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Capital expenditure in respect of the acquisition of property and equipment and cemetery assets contracted for but not provided in the consolidated financial statements	<u>48,209</u>	<u>22,834</u>

40. RETIREMENT BENEFITS SCHEMES

The Group participates in the MPF Scheme. The assets of the schemes are held separately from those of the Group and are invested in funds under the control of independent trustees. For members of the MPF Scheme, the Group contributes 5%, with maximum of HK\$3,000 per person of relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees. No forfeited contributions are available under the MPF Scheme.

The employees of the PRC subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC Government. The PRC subsidiaries are required to contribute 12% to 20% of the total monthly basic salaries of their current employees to the retirement benefits scheme to fund the benefits. The only obligation of the PRC subsidiaries with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB34,728,000 for the year ended December 31, 2024 (2023: RMB33,994,000), representing contributions paid and/or payable to the scheme by the Group for the year ended December 31, 2024. As at December 31, 2024, contributions of RMB1,931,000 due in respect of the year ended December 31, 2024 had not been paid over to the plans (December 31, 2023: RMB1,129,000). The amounts were paid subsequent to the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities (including dividends payable, borrowings, lease liabilities, other long-term liabilities, and loans from non-controlling shareholders of subsidiaries) arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable	Borrowings	Lease liabilities	Other long-term liabilities	Loans from non-controlling shareholders of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	—	—	64,703	37,850	32,958	135,511
Financing cash flows	(487,976)	200,000	(21,492)	(1,589)	(4,381)	(315,438)
New leases entered	—	—	6,801	415	—	7,216
Acquired on concession agreements	—	—	—	45,293	—	45,293
Acquired on acquisition of subsidiaries	—	—	—	11,888	—	11,888
Interest expense	—	2,078	2,359	2,094	861	7,392
Dividends paid to non-controlling shareholders of subsidiaries	168,943	—	—	—	—	168,943
Dividends recognized as distributions	355,033	—	—	—	—	355,033
At December 31, 2023	<u>36,000</u>	<u>202,078</u>	<u>52,371</u>	<u>95,951</u>	<u>29,438</u>	<u>415,838</u>
Financing cash flows	(852,552)	(211,153)	(19,482)	(6,190)	227	(1,089,150)
New leases entered	—	—	95,834	—	—	95,834
Acquired on concession agreements	—	—	—	7,303	—	7,303
Reclassification to trade and other payables	—	—	—	(6,347)	—	(6,347)
Termination of leases	—	—	—	(9,389)	—	(9,389)
Interest expense	—	9,075	2,573	3,973	801	16,422
Dividends paid to non-controlling shareholders of subsidiaries	206,323	—	—	—	—	206,323
Dividends recognized as distributions	720,353	—	—	—	—	720,353
At December 31, 2024	<u>110,124</u>	<u>—</u>	<u>131,296</u>	<u>85,301</u>	<u>30,466</u>	<u>357,187</u>

42. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of the Directors, who are also key management, is disclosed in Note 9.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

43. DETAILS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				At December 31,		
				2024 %	2023 %	
Directly held:						
Fu Shou Yuan Group (Hong Kong) Limited.* 福壽園集團(香港)有限公司	Hong Kong	October 10, 2011	2 shares of HK\$2	100	100	Investment holding
Indirectly held:						
Chongqing Fu Shou Yuan Group Co., Ltd.* 重慶福壽園集團有限公司	PRC	January 18, 2011	RMB221,900,000	100	100	Investment holding
Shanghai Fu Shou Yuan* 上海福壽園實業集團有限公司	PRC	February 21, 1994	RMB100,000,000	100	100	Provision of burial services
Henan Fu Shou Yuan* 河南福壽園實業有限公司	PRC	July 7, 2003	RMB30,120,000	100	100	Provision of burial services
Chongqing Fu Shou Yuan Consultancy Company Limited* 重慶福壽園企業管理諮詢有限公司	PRC	August 9, 2010	RMB10,000,000	100	100	Investment holding
Hefei Dashushan Wenhua Lingyuan Company Limited* ("Hefei Dashushan") 合肥大蜀山文化陵園有限公司	PRC	February 22, 2002	RMB10,000,000	60	60	Provision of burial services
Hefei Renben Funeral Service Company Limited* 合肥人本禮儀服務有限公司	PRC	September 27, 2008	RMB1,200,000	60	60	Provision of funeral services
Hefei Huazhijian Flowers Company Limited* 合肥花之間花卉有限公司	PRC	May 13, 2010	RMB500,000	60	60	Provision of flowers and related designing services
Shanghai Fushouyuan Enterprise Management Consulting Co., Ltd.* 上海福壽園企業管理諮詢有限公司	PRC	September 9, 2002	RMB500,000	100	100	Investment holding
Chongqing Fushouyuan Life Science* 重慶福壽元生命科技服務有限公司	PRC	September 11, 1997	RMB1,000,000	100	100	Provision of funeral services
Chongqing Fu Shou Yuan Funeral Arrangement Services Co., Ltd.* 重慶福壽園禮儀服務有限公司	PRC	January 23, 2003	RMB1,000,000	100	100	Provision of funeral services
Shanghai Fu Shou Yuan Funeral Arrangement Services Co., Ltd.* 上海福壽園禮儀服務有限公司	PRC	May 17, 2011	RMB500,000	100	100	Provision of funeral services
Jinzhou Maoshan Anling* 錦州市帽山安陵有限責任公司	PRC	January 7, 2004	RMB8,000,000	100	100	Provision of burial services
Fumao Corporate Management Consultancy (Shanghai) Company Limited* 福渺企業管理諮詢(上海)有限公司	PRC	January 27, 2011	RMB5,000,000	100	100	Investment holding
Chongqing Fu Shou Yuan Shareholding Investment Corporation (Limited Partnership)* 重慶福壽園股權投資企業(有限合夥)	PRC	November 10, 2010	RMB3,400,000,000	100	100	Investment holding
Nanchang Fushouyuan Humanities Memorial Co., Ltd.* ("Nanchang Hongfu") 南昌福壽園人文紀念有限責任公司	PRC	November 17, 2009	RMB140,000,000	50.89	50.89	Provision of burial services
Chongqing Fuyuan Corporate Management Consultancy Company Limited* 重慶福元企業管理諮詢有限公司	PRC	January 20, 2012	USD1,000,000	100	100	Investment holding
Xiamen Huaixiang Condolence Services Company Limited* 廈門市懷祥禮儀服務有限公司	PRC	December 31, 2012	RMB5,000,000	90	90	Provision of funeral services
Fu Shou Yuan Environmental Equipment Company Limited* 福壽園環保機械製造有限公司	PRC	November 20, 2012	RMB50,000,000	100	100	Manufacturing and sales of cremation devices
Shandong Fu Shou Yuan Development Company Limited* ("Shandong Fu Shou Yuan Development") 山東福壽園發展有限公司	PRC	December 29, 2001	RMB10,000,000	50	50	Provision of burial services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

43. DETAILS OF SUBSIDIARIES — *continued*

Name of subsidiaries [#]	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				At December 31,		
				2024 %	2023 %	
Ningbo Yongyi Funeral Services Company Limited [*] 寧波永逸殯葬禮儀服務有限公司	PRC	January 9, 2013	RMB1,000,000	60	60	Provision of funeral services
Haigang Fu Shou Yuan [*] (Note (a)) 上海南院實業發展有限公司 (“海港福壽園”)	PRC	January 25, 2007	RMB50,000,000	40	40	Provision of burial services
Shanghai Fu Shou Yuan Environmental Protection Equipment Company Limited [*] 上海福壽園環保設備有限公司	PRC	March 21, 2013	RMB10,000,000	100	100	Sales and after-sales service of cremation devices
Shanghai Serfu Fruits and Vegetables Technological Development Company Limited [*] 上海森福蔬果科技發展有限公司	PRC	July 2, 2013	RMB1,600,000	100	100	Sales of agricultural products
Shanghai Fu Shou Yuan Jingguan Design Company Limited [*] 上海福壽園景觀設計有限公司	PRC	January 9, 2013	RMB1,000,000	100	95	Provision of designing service
Wuhan Changle Fu Shou Yuan Funeral Services Company Limited [*] 武漢長樂福壽殯儀服務有限公司	PRC	October 30, 2013	RMB1,000,000	51	51	Inactive
Chongqing Baitayuan [*] 重慶白塔園殯葬開發有限公司	PRC	September 8, 1997	RMB13,405,700	100	100	Provision of burial service and funeral service
Chongqing Fuding Equity Investment Fund Partnership (Limited Partnership) 重慶福鼎股權投資基金合夥企業(有限合夥)	PRC	March 13, 2014	RMB200,000,000	100	100	Investment holding
Beijing Fushouyuan Investment Co., Ltd. [*] 北京福壽園投資有限公司	PRC	March 26, 2014	RMB100,000,000	60	60	Investment holding
Meilin Century Cemetery [*] 南昌福壽園殯儀有限責任公司	PRC	June 8, 1999	RMB32,730,000	50.89	50.89	Provision of burial service and funeral service
Guanlingshan Cultural Cemetery [*] 遼寧觀陵山藝術園林公墓有限公司	PRC	December 11, 2012	RMB118,600,000	100	100	Provision of burial service
Wuyuan Wanshoushan Cemetery [*] 婺源縣萬壽山陵園有限公司	PRC	May 7, 2013	RMB3,500,000	100	100	Provision of burial service
Anyang Tianshouyuan Cemetery [*] 安陽福壽園民生服務有限公司	PRC	October 25, 2010	RMB54,500,000	80	80	Provision of burial service
Changzhou Qifengshan Cemetery [*] 常州棲鳳山國際人文陵園有限公司	PRC	March 22, 2007	RMB55,000,000	80	80	Provision of burial service
Fushouyuan (Shanghai) Investment Co., Ltd. [*] 福壽園(上海)投資有限公司	PRC	July 14, 2015	RMB200,000,000	100	100	Investment holding
Taian Fu Shou Yuan Funeral Arrangement Services Co., Ltd. [*] 泰安福壽園禮儀服務有限公司	PRC	March 9, 2016	RMB30,000,000	100	100	Provision of funeral service
Chongqing Fu Shou Yuan Xiyuan Industrial Co., Ltd. [*] (“Chongqing Xiyuan”) 重慶福壽園西苑實業有限公司	PRC	March 8, 2016	RMB80,000,000	51	51	Provision of burial service and funeral service
Wuyuan County Fu Shou Yuan Funeral Co., Ltd. [*] 婺源縣福壽園殯儀有限責任公司	PRC	December 17, 2015	RMB100,000	100	100	Provision of funeral service
Zaozhuang Shanting Xingtai [*] 棗莊市福壽園殯葬服務有限公司	PRC	October 25, 2004	RMB1,500,000	100	100	Provision of burial service
Xuancheng Mashan Funeral Parlour Co., Ltd. [*] 宣城市馬山殯儀館有限公司	PRC	October 20, 2016	RMB70,000,000	100	100	Provision of funeral service
Hefei Renben Funeral Company Limited [*] 合肥人本殯葬服務有限公司	PRC	December 5, 2016	RMB1,200,000	100	100	Provision of funeral services
Luoyang Xianhe Cemete [*] 洛陽仙鶴紀念陵園有限公司	PRC	August 31, 2015	RMB48,000,000	80	80	Provision of burial service
Yancheng Dafeng Fushouyuan Funeral and Burial Service Co., Ltd. [*] 鹽城大豐福壽園殯葬服務有限公司	PRC	January 17, 2017	RMB10,000,000	100	100	Provision of funeral service



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FOR THE YEAR ENDED DECEMBER 31, 2024

43. DETAILS OF SUBSIDIARIES – *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				At December 31,		
				2024 %	2023 %	
Gaoyou Fushouyuan Funeral Services Co., Ltd. [^] 高郵福壽園殯葬服務有限公司	PRC	May 12, 2017	RMB10,000,000	100	100	Provision of funeral service
Huaipei Fushouyuan Memorial Mausoleum Co. Ltd. [^] 淮北福壽園紀念陵有限責任公司	PRC	September 25, 2014	RMB30,000,000	100	100	Provision of burial service
Temshine [^] 北京天泉佳境陵園建築設計有限公司	PRC	June 23, 2005	RMB6,150,000	100	100	Provision of designing service
Shanghai Temshine Cemetery Design Group Ltd. [^] 上海天泉佳境建築設計有限公司	PRC	December 1, 2021	RMB1,000,000	100	100	Provision of designing service
Guangxi Huazuyuan Cemetery [^] 廣西華祖園投資有限公司	PRC	May 8, 2013	RMB25,000,000	60	60	Provision of burial service
Changzhou Fushouyuan Etiquette Co., Ltd. [^] 常州福壽園禮儀有限公司	PRC	January 7, 2013	RMB500,000	81	76	Provision of funeral service
Qinzhou Huazuyuan Investment Co., Ltd. [^] 欽州華祖園投資有限公司	PRC	July 31, 2017	RMB30,000,000	60	60	Provision of burial service
Taian Fu Shou Yuan Development Co., Ltd. [^] 泰安福壽園實業發展有限公司	PRC	April 29, 2016	RMB40,000,000	65	65	Provision of burial service
Ningde Huaixiang Funeral Services Co., Ltd. [^] 寧德市懷祥禮儀服務有限公司	PRC	July 17, 2017	RMB3,000,000	77	77	Provision of funeral service
Huaipei Fu Shou Yuan Funeral Services Co., Ltd. [^] 淮北福壽園禮儀服務有限公司	PRC	October 25, 2017	RMB1,000,000	100	100	Provision of funeral service
Lujiang Fu Shou Yuan Funeral Services Co., Ltd. [^] 廬江福壽園殯葬禮儀服務有限公司	PRC	October 31, 2017	RMB1,000,000	100	100	Provision of funeral service
Chaoyang Longshan Cemetery [^] 朝陽縣龍山福園公墓有限公司	PRC	January 2, 2018	RMB2,000,000	100	100	Provision of burial service
Helinge'er Anyou Cemetery [^] 內蒙古福壽園實業有限公司	PRC	November 13, 2007	RMB10,000,000	100	100	Provision of burial service
Guizhou Tianyuanshan [^] 正安縣福壽園實業有限公司	PRC	March 27, 2017	RMB40,000,000	80	80	Provision of burial service and funeral service
Xuancheng Mashan Scenic Service Co., Ltd. [^] 宣城馬山風景陵園有限公司	PRC	January 5, 2018	RMB40,000,000	100	100	Provision of burial service
Hangzhou Xiaoshan Funeral Service Center Co., Ltd. [^] 杭州蕭山殯儀服務中心有限公司	PRC	April 3, 2018	RMB8,000,000	55	55	Provision of funeral service
Fushoujia (Shanghai) Industrial Development Co., Ltd. [^] 福壽家(上海)實業發展有限公司	PRC	August 7, 2017	RMB30,000,000	100	100	Provision of funeral service
Ningbo Fenghua Fushouyuan Funeral Service Co., Ltd. [^] 寧波奉化福壽園殯葬禮儀服務有限公司	PRC	June 11, 2018	RMB1,000,000	60	60	Provision of funeral service
Changzhou Jintan Fushouyuan Funeral Service Co., Ltd. [^] 常州金壇福壽園禮儀服務有限公司	PRC	October 25, 2018	RMB1,000,000	80	80	Provision of funeral service
Yanshan County Fushouyuan Funeral Service Co., Ltd. [^] 鉛山縣福壽園禮儀服務有限公司	PRC	August 23, 2018	RMB25,000,000	100	100	Provision of funeral service
Ganzhou Ronglong Humanities Memorial Park Management Co., Ltd. [^] 贛州蓉龍人文紀念園管理有限公司	PRC	November 29, 2018	RMB10,000,000	80	80	Provision of burial service
Hubei Tiansheng Cemetery [^] 湖北天聖公墓有限公司	PRC	December 24, 2012	RMB20,000,000	80	80	Provision of burial service
Shandong Anzun Life Culture Service Co., Ltd. [^] ("Shandong Anzun") (Note (b)) 山東安尊生命文化服務有限公司	PRC	January 28, 2019	RMB60,000,000	49	49	Provision of burial service
Fuyang Fushouyuan Funeral Service Co., Ltd. [^] 阜陽福壽園殯葬服務有限公司	PRC	July 23, 2018	RMB5,500,000	100	100	Provision of funeral service
Linquan Heheyuan Funeral Home Co., Ltd. [^] 臨泉駕鶴園殯儀館有限公司	PRC	June 24, 2019	RMB50,000,000	100	100	Provision of funeral service

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43. DETAILS OF SUBSIDIARIES — *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				At December 31,		
				2024 %	2023 %	
Shucheng Fushouyuan Funeral Etiquette Service Co., Ltd. [^] 舒城福壽園殯葬禮儀服務有限公司	PRC	November 11, 2019	RMB1,000,000	100	100	Provision of funeral service
Zaozhuang Fushouyuan Etiquette Service Co., Ltd. [^] 棗莊市福壽園禮儀服務有限公司	PRC	December 12, 2019	RMB10,000,000	100	100	Provision of funeral service
Harbin Mingxiyuan Cemetery [^] 哈爾濱明西園公墓有限責任公司	PRC	September 29, 2000	RMB10,000,000	100	100	Provision of burial service
Jinsha Fuze [^] 金沙福壽園實業有限責任公司	PRC	January 6, 2011	RMB74,000,000	80	80	Provision of funeral service
Shanghai Fushouyuan Life Information Technology Co., Ltd. [^] 上海福壽雲生命信息科技有限責任公司	PRC	November 19, 2012	RMB10,000,000	100	100	Provision of funeral service
Gansu Hailinjinggang Industrial Co., Ltd. [^] 甘肅海林嶺港實業有限公司	PRC	July 2, 2009	RMB70,000,000	95	95	Provision of burial service
Changfeng Etiquette Service Co., Ltd. [^] 長豐福壽園殯葬禮儀服務有限公司	PRC	January 1, 2020	RMB300,000	—	100	Provision of funeral service
Ruichang Etiquette Service Co., Ltd. [^] 瑞昌市福壽園殯葬服務有限公司	PRC	September 30, 2020	RMB1,000,000	100	100	Provision of funeral service
Shanghai Fushouyuan Technology Service Co., Ltd. [^] 上海福壽元科技服務有限公司	PRC	March 24, 2014	RMB1,000,000	100	100	Provision of funeral service
Chaohu County Fu Shou Yuan Funeral Service Co., Ltd. [^] 巢湖福壽園殯葬禮儀服務有限公司	PRC	November 27, 2020	RMB500,000	100	100	Provision of funeral service
Dalian Fu Shou Yuan Industrial Co., Ltd. [^] 大連福壽園實業有限公司	PRC	December 1, 2020	RMB30,000,000	80	80	Provision of burial service
Fu Shou Garden (Zhanjiang) Humanities Memorial Company Limited. [^] 福壽園(湛江)人文紀念有限公司	PRC	May 15, 2020	RMB10,000,000	100	100	Provision of burial service
Hefei Fushuyuan Technology Service Co., Ltd. [^] 合肥福壽元科技服務有限公司	PRC	June 9, 2020	RMB1,000,000	100	100	Provision of funeral service
Guangxi Fu Shou Yuan Industrial Co., Ltd. [^] 廣西福壽園實業投資有限公司	PRC	June 15, 2021	RMB10,000,000	100	100	Provision of burial service
Dalian Fu Shou Yuan Investment Co., Ltd. [^] 大連福壽園投資有限公司	PRC	June 4, 2021	USD30,000,000	100	100	Investment holding
Yunnan Fu Shou Yuan Funeral Service Co., Ltd. [^] 雲南福壽園殯葬服務有限公司	PRC	October 13, 2021	RMB1,000,000	100	100	Provision of funeral service
Heze Fuluyuan [^] 菏澤福祿源公墓管理有限公司	PRC	January 31, 2013	RMB50,000,000	90	90	Provision of burial service
Zhengzhou Anletang [^] 鄭州安樂堂禮儀服務有限公司	PRC	April 26, 2019	RMB2,000,000	100	100	Provision of funeral service
Anhui Longmen [^] 安徽龍門文化陵园有限公司	PRC	January 15, 2015	RMB21,000,000	100	100	Provision of burial service
Zhuolu Yuanbaoshan [^] (Note (c)) 涿鹿隆暉天富元寶山開發管理有限公司	PRC	November 11, 2015	RMB10,000,000	70	51	Provision of burial service
Shenzhen Fu Shou Yuan Technology Service Co., Ltd. [^] 深圳福壽元科技服務有限公司	PRC	December 8, 2017	RMB3,000,000	100	100	Provision of burial service
Yan'an Hongfu [^] 延安洪福公墓有限公司	PRC	December 25, 2020	RMB30,000,000	100	100	Provision of burial service
Tianjin Fu Shou Yuan Technology Development Co., Ltd. [^] 天津福壽園科技發展有限公司	PRC	November 1, 2023	RMB1,000,000	70	70	Provision of burial service
Shenyang Fuyou Funeral & Ceremony Service Co., Ltd. [^] 沈陽福佑殯葬禮儀服務有限責任公司	PRC	July 18, 2023	RMB2,800,000	91	91	Provision of funeral service
Shanghai Qingpu Li Ji Academy of Further Education Co., Ltd. [^] 上海青浦禮濟進修學院有限公司	PRC	April 10, 2023	RMB500,000	100	100	Provision of education service



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43. DETAILS OF SUBSIDIARIES – *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				At December 31,		
				2024 %	2023 %	
Shanghai Mu yun ji Culture & Technology Co., Ltd* 上海牧雲記文化科技有限公司	PRC	August 21, 2023	RMB400,000	100	100	Provision of funeral service
Hangzhou Fu Shou Yuan Life Technology Co., Ltd* 杭州福壽元生命科技有限公司	PRC	March 20, 2023	RMB1,000,000	100	100	Provision of funeral service
Beijing Fu Shou Yuan Technology Service Co., Ltd* 北京福壽元科技服務有限公司	PRC	May 22, 2023	RMB1,000,000	100	100	Provision of funeral service
Dalian Fu Shou Yuan Life Technology Co., Ltd* 大連福壽元生命科技有限公司	PRC	March 23, 2023	RMB1,000,000	100	100	Provision of funeral service
Fu Shou Yuan (Hong Kong) Funeral Services Limited* 福壽園(香港)殯儀有限公司	Hong Kong	December 1, 2023	100 shares of HK\$100	100	100	Provision of funeral service
VR Paradise Holdings Limited* 靈境控股有限公司	BVI	January 16, 2024	HK\$30,000,000	60	–	Investment holding
VR Paradise Technology Company Limited* (Note (d)) 靈境創科技術有限公司	Hong Kong	March 7, 2024	HK\$30,000,001	42	–	Provision of research and development

The English names of all subsidiaries established in the PRC are translated for identification purpose only.

* The entity was set up during the year ended December 31, 2024.

^ These entities are established in the PRC in the form of domestic limited liability company.

+ These entities are established in the PRC in the form of wholly foreign-owned enterprise.

– The entity is established in the PRC in the form of limited liability partnership.

Notes:

- (a) Haigang Fu Shou Yuan was an associate of the Group prior to January 4, 2013. On January 4, 2013, the Group has been assigned irrevocable rights unconditionally and without conditions to direct the relevant activities of Haigang Fu Shou Yuan unilaterally. As such, Haigang Fu Shou Yuan is accounted for as a subsidiary of the Group from January 4, 2013.
- (b) The Group has been assigned irrevocable rights unconditionally and without conditions to direct the relevant activities of Shandong Anzun unilaterally. As such, Shandong Anzun is accounted for as a subsidiary of the Group.
- (c) In June 2024, Shanghai Fu Shou Yuan made capital injection of RMB16,470,000 to a subsidiary Zhuolu Yuanbaoshan. The proportion of shares held by the Group increased from 51% to 70%. In the meantime, Shanghai Fu Shou Yuan entered into an agreement with the non-controlling shareholder of Zhuolu Yuanbaoshan to dispose of its 70% equity interest in Zhuolu Yuanbaoshan on the condition that the non-controlling shareholder pays the agreed consideration of acquisition by December 31, 2024. As a result, the assets and liabilities of Zhuolu Yuanbaoshan was classified as held for sale as at June 30, 2024. As at December 31, 2024, the non-controlling shareholder of Zhuolu Yuanbaoshan failed to pay the consideration of acquisition and the agreement was forfeited accordingly. As of the balance sheet date, Shanghai Fu Shou Yuan had no further intention to dispose Zhuolu Yuanbaoshan, so the assets and liabilities of Zhuolu Yuanbaoshan was no longer classified as held for sale.
- (d) In August 2024, VR Paradise Holdings Limited, a subsidiary of the Group, established VR Paradise Technology Company Limited and held 70% of its equity interest. The Group has been assigned irrevocable rights unconditionally and without conditions to direct the relevant activities of VR Paradise Technology Company Limited unilaterally. As such, VR Paradise Technology Company Limited is accounted for as a subsidiary of the Group.

None of the subsidiaries had issued any debt securities at the end of the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2024	2023	2024	2023	2024	2023
		%	%	RMB'000	RMB'000	RMB'000	RMB'000
Hefei Dashushan	PRC	40	40	18,377	11,451	16,142	100,384
Nanchang Hongfu	PRC	49.11	49.11	253	8,084	106,289	119,151
Haigang Fu Shou Yuan	PRC	60	60	81,645	119,389	137,900	100,655
Chongqing Xiyuan	PRC	49	49	112	3,132	42,790	45,618
Shandong Fu Shou Yuan Development	PRC	50	50	4,878	17,795	78,119	85,241
Changzhou Qifengshan Cemetery	PRC	20	20	8,029	9,955	37,539	38,514
Individually immaterial subsidiaries with non-controlling interests				10,900	14,870	175,895	164,246
Total				124,194	184,676	594,674	653,809

Summarized financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

Hefei Dashushan

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	190,338	297,511
Non-current assets	6,285	7,611
Current liabilities	117,282	14,029
Non-current liabilities	38,985	40,132
Equity attributable to owners of the Company	24,214	150,577
Non-controlling interests	<u>16,142</u>	<u>100,384</u>
	2024 RMB'000	2023 RMB'000
Revenue	<u>78,872</u>	<u>59,061</u>
Expenses	<u>(32,928)</u>	<u>(30,433)</u>
Profit and total comprehensive income attributable to owners of the Company	27,567	17,177
Profit and total comprehensive income attributable to non-controlling interests	18,377	11,451
Profit and total comprehensive income for the year	45,944	28,628
Dividends paid to non-controlling interests	102,619	—
Net cash inflow from operating activities	45,990	21,588
Net cash outflow from investing activities	(32,891)	(17,678)
Net cash outflow from financing activities	<u>(153,929)</u>	<u>—</u>
Net cash (outflow) inflow	<u>(140,830)</u>	<u>3,910</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

Nanchang Hongfu

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	110,732	132,896
Non-current assets	169,508	171,640
Current liabilities	38,402	37,609
Non-current liabilities	25,408	24,307
Equity attributable to owners of the Company	110,141	123,469
Non-controlling interests	<u>106,289</u>	<u>119,151</u>
	2024 RMB'000	2023 RMB'000
Revenue	<u>41,763</u>	<u>53,048</u>
Expenses	<u>(41,247)</u>	<u>(36,586)</u>
Profit and total comprehensive income attributable to owners of the Company	263	8,378
Profit and total comprehensive income attributable to non-controlling interests	253	8,084
Profit and total comprehensive income for the year	516	16,462
Dividends paid to non-controlling interests	13,116	—
Net cash inflow from operating activities	32,258	26,638
Net cash outflow from investing activities	(662)	(1,305)
Net cash outflow from financing activities	<u>(26,707)</u>	<u>—</u>
Net cash inflow	<u>4,889</u>	<u>25,333</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

Haigang Fu Shou Yuan

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	231,708	198,275
Non-current assets	84,105	78,107
Current liabilities	43,370	80,584
Non-current liabilities	42,609	28,039
Equity attributable to owners of the Company	91,934	67,104
Non-controlling interests	<u>137,900</u>	<u>100,655</u>
	2024 RMB'000	2023 RMB'000
Revenue	<u>230,430</u>	<u>322,628</u>
Expenses	<u>(94,355)</u>	<u>(123,646)</u>
Profit and total comprehensive income attributable to owners of the Company	54,430	79,593
Profit and total comprehensive income attributable to non-controlling interests	81,645	119,389
Profit and total comprehensive income for the year	136,075	198,982
Dividends paid to non-controlling interests	44,400	129,000
Net cash inflow from operating activities	142,730	201,877
Net cash outflow from investing activities	(47)	(396)
Net cash outflow from financing activities	<u>(110,000)</u>	<u>(179,000)</u>
Net cash inflow	<u>32,683</u>	<u>22,481</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

Chongqing Xiyuan

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	12,059	18,030
Non-current assets	125,226	122,893
Current liabilities	44,457	42,461
Non-current liabilities	5,502	5,365
Equity attributable to owners of the Company	44,536	47,479
Non-controlling interests	42,790	45,618
	2024 RMB'000	2023 RMB'000
Revenue	19,526	32,388
Expenses	(19,297)	(25,996)
Profit and total comprehensive income attributable to owners of the Company	117	3,260
Profit and total comprehensive income attributable to non-controlling interests	112	3,132
Profit and total comprehensive income for the year	229	6,392
Dividends paid to non-controlling interests	2,940	—
Net cash inflow from operating activities	3,390	13,631
Net cash outflow from investing activities	(3,241)	(1,226)
Net cash outflow from financing activities	(5,833)	(9,848)
Net cash (outflow) inflow	(5,684)	2,557



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

Shandong Fu Shou Yuan Development

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	98,740	106,990
Non-current assets	121,585	124,165
Current liabilities	31,093	39,471
Non-current liabilities	32,994	21,202
Equity attributable to owners of the Company	78,119	85,241
Non-controlling interests	<u>78,119</u>	<u>85,241</u>
	2024 RMB'000	2023 RMB'000
Revenue	<u>50,428</u>	<u>88,505</u>
Expenses	<u>(40,672)</u>	<u>(52,915)</u>
Profit and total comprehensive income attributable to owners of the Company	4,878	17,795
Profit and total comprehensive income attributable to non-controlling interests	4,878	17,795
Profit and total comprehensive income for the year	9,756	35,590
Dividends paid to non-controlling interests	12,000	—
Net cash inflow from operating activities	9,312	32,899
Net cash inflow (outflow) from investing activities	43	(1,572)
Net cash outflow from financing activities	<u>(24,000)</u>	<u>(40,000)</u>
Net cash outflow	<u>(14,645)</u>	<u>(8,673)</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS – *continued*

Changzhou Qifengshan Cemetery

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	180,609	179,152
Non-current assets	75,238	81,453
Current liabilities	26,121	28,638
Non-current liabilities	42,026	39,396
Equity attributable to owners of the Company	150,161	154,057
Non-controlling interests	<u>37,539</u>	<u>38,514</u>
	2024 RMB'000	2023 RMB'000
Revenue	<u>79,609</u>	<u>97,578</u>
Expenses	<u>(39,462)</u>	<u>(47,805)</u>
Profit and total comprehensive income attributable to owners of the Company	32,118	39,818
Profit and total comprehensive income attributable to non-controlling interests	8,029	9,955
Profit and total comprehensive income for the year	40,147	49,773
Dividends paid to non-controlling interests	9,004	8,260
Net cash inflow from operating activities	39,480	61,926
Net cash (outflow) inflow from investing activities	(7,113)	159
Net cash outflow from financing activities	<u>(45,018)</u>	<u>(41,301)</u>
Net cash (outflow) inflow	<u>(12,651)</u>	<u>20,784</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The statement of financial position of the Company as at December 31, 2024 and 2023 are as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current Asset		
Interest in subsidiaries	1	1
	<u>1</u>	<u>1</u>
Current assets		
Amounts due from subsidiaries	202,809	637,485
Bank balances and cash	55,625	23,571
	<u>258,434</u>	<u>661,056</u>
Current liabilities		
Trade and other payables	279	2,381
Amounts due to subsidiaries	8,219	71,674
Borrowings	—	200,000
	<u>8,498</u>	<u>274,055</u>
Net current assets	<u>249,936</u>	<u>387,001</u>
Total assets less current liabilities	<u>249,937</u>	<u>387,002</u>
Capital and reserves		
Share capital	142,148	142,148
Reserves (Note)	107,789	244,854
Total equity	<u>249,937</u>	<u>387,002</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Note:

	Treasury shares RMB'000	Share premium* RMB'000	Special reserve RMB'000	(Accumulated losses) retained earnings RMB'000	Total RMB'000
At January 1, 2023	(254,829)	1,026,187	79,667	(250,727)	600,298
Loss and total comprehensive expense for the year	—	—	—	(7,879)	(7,879)
Dividends recognized as distributions	—	(355,033)	—	—	(355,033)
Shares purchased by trustee and dividend receipt under the restricted share incentive scheme	7,468	—	—	—	7,468
At December 31, 2023	<u>(247,361)</u>	<u>671,154</u>	<u>79,667</u>	<u>(258,606)</u>	<u>244,854</u>
Profit and total comprehensive income for the year	—	—	—	583,288	583,288
Dividends recognized as distributions	—	(671,154)	—	(64,677)	(735,831)
Shares purchased by trustee and dividend receipt under the restricted share incentive scheme	15,478	—	—	—	15,478
At December 31, 2024	<u>(231,883)</u>	<u>—</u>	<u>79,667</u>	<u>260,005</u>	<u>107,789</u>



FINANCIAL SUMMARY

	For the year ended December 31,				2024 RMB'000
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	
Revenue	1,892,537	2,325,848	2,171,626	2,628,029	2,077,484
Operating expenditures					
Staff costs	(385,805)	(469,616)	(463,624)	(506,360)	(486,720)
Construction costs	(76,495)	(167,358)	(123,266)	(123,086)	(114,067)
Consumed materials and goods	(149,109)	(177,538)	(162,065)	(188,935)	(149,929)
Outsourced service costs	(52,906)	(53,122)	(55,417)	(62,160)	(51,111)
Marketing and sales channel costs	(36,072)	(43,986)	(43,155)	(48,899)	(41,597)
Depreciation and amortisation	(136,713)	(146,734)	(155,953)	(166,609)	(173,179)
Other general operating expenditures	(133,406)	(197,643)	(153,616)	(171,530)	(244,376)
Inventory changes	5,872	28,448	17,035	11,708	21,160
Impairment losses under expected credit loss model ("ECL"), net of reversal	—	(3,821)	(1,238)	41	(23,585)
Impairment losses recognized on property and equipment, intangible assets, cemetery assets and goodwill	—	—	—	—	(104,193)
Profit from operations	927,903	1,094,478	1,030,327	1,372,199	709,887
Other income, gains and losses	61,707	103,580	74,293	85,183	119,842
Share of profit (loss) of joint ventures	4	(11,577)	(7,407)	(18,436)	(2,733)
Share of loss of an associate	—	—	—	—	(65)
Finance costs	(9,525)	(7,246)	(5,008)	(7,392)	(16,422)
Profit before taxation	980,089	1,179,235	1,092,205	1,431,554	810,509
Income tax expense	(222,784)	(289,591)	(281,476)	(455,638)	(313,181)
Profit for the year	<u>757,305</u>	<u>889,644</u>	<u>810,729</u>	<u>975,916</u>	<u>497,328</u>
Other comprehensive income for the year, net of income tax	—	—	—	—	376
Profit and total comprehensive income for the year	757,305	889,644	810,729	975,916	497,704
Profit and total comprehensive income for the year attributable to:					
Owners of the Company	620,064	720,033	658,596	791,240	373,292
Non-controlling interests	137,241	169,611	152,133	184,676	124,412
	<u>757,305</u>	<u>889,644</u>	<u>810,729</u>	<u>975,916</u>	<u>497,704</u>
	RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share					
— Basic	<u>27.4</u>	<u>31.6</u>	<u>29.0</u>	<u>34.8</u>	<u>16.4</u>
— Diluted	<u>27.3</u>	<u>31.6</u>	<u>29.0</u>	<u>N/A</u>	<u>N/A</u>



FINANCIAL SUMMARY

	As at December 31,				2024 RMB'000
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	
Assets and liabilities					
Total assets	6,678,175	7,405,450	7,815,891	8,667,787	8,181,197
Total liabilities	<u>(1,536,089)</u>	<u>(1,733,130)</u>	<u>(1,701,887)</u>	<u>(2,093,923)</u>	<u>(2,025,369)</u>
	<u>5,142,086</u>	<u>5,672,320</u>	<u>6,114,004</u>	<u>6,573,864</u>	<u>6,155,828</u>
Equity attributable to owners of the Company	4,567,881	5,043,440	5,475,758	5,920,055	5,561,154
Non-controlling interests	<u>574,205</u>	<u>628,880</u>	<u>638,246</u>	<u>653,809</u>	<u>594,674</u>
	<u><u>5,142,086</u></u>	<u><u>5,672,320</u></u>	<u><u>6,114,004</u></u>	<u><u>6,573,864</u></u>	<u><u>6,155,828</u></u>



DEFINITIONS AND GLOSSARY

“AGM”	the annual general meeting of the Company to be held on May 22, 2025
“Alliance Rise”	Alliance Rise Limited, a limited liability company incorporated in Hong Kong on May 8, 2015, one of the Company’s Shareholders and a direct wholly-owned subsidiary of Zhongfu
“Anhui Longmen Cemetery”	a cemetery in Suzhou of Anhui Province and operated by Anhui Longmen Cultural Cemetery Co., Ltd.* (安徽龍門文化陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Annual Report”	this annual report dated March 21, 2025 of the Company
“Anyang Tianshouyuan Cemetery”	a cemetery in Anyang of Henan Province and operated by Anyang Fu Shou Yuan Civil Service Co., Ltd.* (安陽福壽園民生服務有限公司), formerly known as Anyang Wulong Civil Service Co., Ltd.* (安陽縣五龍民生服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Articles of Association”	the amended and restated articles of association of the Company adopted on May 25, 2023 (as amended, supplemented or otherwise modified from time to time)
“ASP”	Average unit selling price
“Audit Committee”	the audit committee of the Company
“Auxiliary services”	auxiliary services includes provision of landscape and garden design services and production and sales of cremation machine and the related maintenance service
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix C1 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



DEFINITIONS AND GLOSSARY

“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 Annual Report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chongqing Anle Funeral Services”	Chongqing Fu Shou Yuan Life Technology Service Co. Ltd.* (重慶福壽元生命科技服務有限公司), formerly known as Chongqing Anle Funeral Services Co., Ltd.* (重慶安樂殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Chongqing Anle Services”	Chongqing Anle Services Co., Ltd.* (重慶安樂服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Chongqing Baitayuan”	a cemetery in Yongchuan of Chongqing Municipality and operated by Chongqing Baitayuan Funeral and Burial Development Co., Ltd.* (重慶白塔園殯葬開發有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Chongqing FSU Group”	Chongqing Fu Shou Yuan Group Co., Ltd.* (重慶福壽園集團有限公司), formerly known as Chongqing Fu Shou Yuan Industrial Co., Ltd.* (重慶福壽園實業有限公司), a company established in the PRC on January 18, 2011. It is an indirect wholly-owned subsidiary of the Company
“Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“Company”, “our Company”, “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
“Compliance Committee”	the compliance committee of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“FSG Holding”	FSG Holding Corporation, a company incorporated in BVI on December 6, 2011 and one of the Company’s Shareholders



DEFINITIONS AND GLOSSARY

“FSY Hong Kong”	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in HK on October 10, 2011. It is a direct held subsidiary of the Company
“Global Offering”	the offering by the Company of its Shares for subscription by the public in Hong Kong and placing with professional and institutional investors outside the United States in December 2013
“Grand Fire”	Grand Fire Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Lu Hesheng (陸鶴生), the non-executive Director
“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”	Zheng’an Fu Shou Yuan Industrial Co., Ltd.* (正安縣福壽園實業有限公司), formerly known as 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
“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 established under the laws of the PRC and a subsidiary of the Company
“Hefei Dashushan Co.” or “Hefei Dashushan”	Hefei Dashushan Wenhua Lingyuan Co., Ltd.* (合肥大蜀山文化陵園有限公司), a company established in the PRC on February 22, 2002, owned as to 40% by Chongqing FSY Group, 40% by Hefei Shushan Martyr Cemetery Management Department* (合肥蜀山烈士陵園管理處), and 20% by Shanghai Fu Shou Yuan. It is an indirect non wholly-owned subsidiary of the Company



DEFINITIONS AND GLOSSARY

“Helinge’er Anyou Cemetery”	a cemetery in Hohhot City of the Inner Mongolia Autonomous Region and operated by Inner Mongolia Fu Shou Yuan Industrial Co., Ltd.* (內蒙古福壽園實業有限公司), formerly known as 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
“Heze Fuluyuan”	a cemetery in Heze City of Shandong Province and operated by Heze Fuluyuan Cemetery Management Co., Ltd.* (菏澤福祿源公墓管理有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hongfu”	Shanghai Hongfu Investment Development Co., Ltd.* (上海鴻福投資發展有限公司), a limited liability company established in the PRC on November 28, 2000 and owned as to 50% by NGO 1 and 50% by NGO 2, one of the Company’s Shareholders
“Hubei Tiansheng 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 Fu Shou Yuan Industrial Co., Ltd.* (金沙福壽園實業有限責任公司), formerly known as 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, 2023



DEFINITIONS AND GLOSSARY

“Listing”	listing of the Shares on the Stock Exchange
“Listing Date”	December 19, 2013, the date on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Luoyang Xianhe Cemetery”	A cemetery in Luoyang City of Henan Province and operated by Luoyang Xianhe Memorial Cemetery Co., Ltd.* (洛陽仙鶴紀念陵園有限公司), a limited company established under the PRC and a subsidiary of the Company since January 2017
“Meilin Century Cemetery”	a cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Nanchang Hongfu”	Nanchang Hongfu Humanities Memorial Co., Ltd.* (南昌洪福人文紀念有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“NGO 1”	Shanghai Zhongmin Elderly Affairs Development Service Centre* (上海中民老齡事業開發服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on facility developments, and one of the Company’s indirect Shareholders
“NGO 2”	Shanghai Zhongmin Elderly Affairs Consultancy Service Centre* (上海中民老齡事業諮詢服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Qingpu Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on advisory services, and one of the Company’s indirect Shareholders
“Nomination Committee”	the nomination committee of the Company
“Peaceful Field”	Peaceful Field Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Wang Jisheng (王計生), the executive Director
“Perfect Score”	Perfect Score Group Limited, a limited liability company incorporated in BVI on June 18, 2015, one of the Company’s Shareholders and a direct wholly-owned subsidiary of Alliance Rise



DEFINITIONS AND GLOSSARY

“Prospectus”	the prospectus of the Company dated December 9, 2013
“Remuneration Committee”	the remuneration committee of the Company
“Restricted Share Incentive Scheme”	the restricted share incentive scheme adopted by the Company with effect from November 29, 2019
“Restricted Shares”	any Share(s) that may be offered by the Company to any selected participant pursuant to the Restricted Share Incentive Scheme
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Shandong Fu Shou Yuan”	Shandong Fu Shou Yuan Development Co., Ltd.* (山東福壽園發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Shanghai Fu Shou Yuan”	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Group Co., Ltd.* (上海福壽園實業集團有限公司), formerly known as 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
“Shanghai Zhongfu”	Shanghai Zhongfu International Trade Co., Ltd.* (上海眾福國際貿易有限公司), a company established in the PRC. It was a wholly-owned subsidiary of Zhongfu
“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” or “SEHK”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs (as amended, supplemented or otherwise modified from time to time)



DEFINITIONS AND GLOSSARY

“Temshine”	Beijing Temshine Cemetery Design Group Ltd.* (北京天泉佳境陵園建築設計有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since August 2017
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States
“Wish and Catch”	Wish and Catch Limited, a limited liability company incorporated in BVI on June 28, 2013, wholly-owned by Mr. Bai Xiaojiang (白曉江), the chairman and one of the executive Directors of the Company
“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
“Xiyuan Fu Shou Yuan”	Chongqing Fu Shou Yuan Xiyuan Industrial Co., Ltd.* (重慶福壽園西苑實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Yan’an Hongfu”	a cemetery in Yan’an of Shaanxi Province and operated by Yan’an Hongfu Cemetery Co., Ltd.* (延安洪福公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Year”	year ended December 31, 2024
“Zaozhuang Shanting Xingtai”	Zaozhuang Fu Shou Yuan Funeral and Burial Service Co., Ltd.* (棗莊市福壽園殯葬服務有限公司), formerly known as Zaozhuang Shanting Xingtai Funeral Service Co., Ltd.* (棗莊市山亭興泰殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2016
“Zhengzhou Anletang”	Zhengzhou Anletang Etiquette Service Co., Ltd.* (鄭州安樂堂禮儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Zhongfu”	China Zhongfu Industrial Group Limited* (中國中福實業集團有限公司), a limited liability company established in the PRC on July 15, 1985 and directly wholly-owned by Hongfu, and one of the Company’s Shareholders



DEFINITIONS AND GLOSSARY

“Zhuolu Yuanbaoshan” a cemetery in Zhangjiakou city of Hebei Province and operated by Zhuolu Longhui Tianfu Yuanbaoshan Development Management Co. Ltd* (涿鹿隆暉天富元寶山開發管理有限公司), 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.