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## **Fu Shou Yuan International Group Limited**

**福壽園國際集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1448)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023**

#### **2023 INTERIM RESULTS HIGHLIGHTS**

- Total revenue for the six months ended June 30, 2023 amounted to approximately RMB1,524.5 million, representing an increase of approximately 68.2% when compared to that of the six months ended June 30, 2022.
- Profit and total comprehensive income attributable to owners of the Company for the six months ended June 30, 2023 amounted to approximately RMB464.7 million, representing an increase of approximately 78.0% when compared to that of the six months ended June 30, 2022.
- Basic earnings per Share for the six months ended June 30, 2023 amounted to approximately RMB20.5 cents, representing an increase of approximately 78.3% when compared to that of the six months ended June 30, 2022.
- The Board has declared an interim dividend of HK9.06 cents per Share for the six months ended June 30, 2023.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2023 together with the comparative figures for the same period of last year as set out below.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED JUNE 30, 2023*

		<b>For the six months ended June 30,</b>	
		<b>2023</b>	<b>2022</b>
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>1,524,542</b>	906,393
Operating expenditures			
Staff costs		<b>(275,063)</b>	(210,595)
Construction costs		<b>(55,073)</b>	(51,144)
Consumed materials and goods		<b>(110,036)</b>	(70,119)
Outsourced service costs		<b>(33,588)</b>	(18,654)
Marketing and sales channel costs		<b>(24,943)</b>	(16,328)
Depreciation and amortisation		<b>(80,886)</b>	(77,659)
Other general operating expenditures		<b>(84,208)</b>	(61,040)
Inventory changes		<b>4,006</b>	8,364
Impairment losses under expected credit loss model, net of reversal		<b>(19,593)</b>	—
Profit from operations		<b>845,158</b>	409,218
Other income, gains and losses		<b>38,741</b>	34,494
Share of loss of a joint venture		<b>(15,819)</b>	(3,240)
Finance costs		<b>(2,594)</b>	(2,214)
Profit before taxation	5	<b>865,486</b>	438,258
Income tax expense	6	<b>(280,006)</b>	(111,258)
Profit and total comprehensive income for the period		<b>585,480</b>	327,000
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		<b>464,723</b>	261,099
Non-controlling interests		<b>120,757</b>	65,901
		<b>585,480</b>	327,000
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share			
— Basic	7	<b>20.5</b>	11.5
— Diluted	7	<b>20.5</b>	11.5

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2023**

		<b>June 30, 2023</b>	December 31, 2022
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property and equipment	8	<b>562,441</b>	571,861
Right-of-use assets		<b>109,596</b>	116,711
Investment property		<b>6,509</b>	6,509
Intangible assets		<b>268,944</b>	273,614
Goodwill	9	<b>1,129,049</b>	1,091,243
Financial assets at fair value through profit or loss (“FVTPL”)	14	<b>38,110</b>	38,110
Deposits paid for acquisition of leasehold land as cemetery assets		<b>21,963</b>	29,117
Cemetery assets	10	<b>2,087,836</b>	1,930,650
Investment in an associate		—	750
Investment in a joint venture		<b>44,801</b>	132,960
Restricted deposits		<b>85,839</b>	81,394
Deferred tax assets	18	<b>89,079</b>	81,290
Other long-term assets		<b>5,000</b>	5,000
		<b>4,449,167</b>	4,359,209
<b>Current assets</b>			
Inventories	11	<b>564,072</b>	558,958
Trade and other receivables	12	<b>283,816</b>	423,116
Financial assets at fair value through profit or loss	14	<b>760,940</b>	487,883
Time deposits	15	<b>43,894</b>	33,467
Bank balances and cash	13	<b>2,226,633</b>	1,942,233
Contract assets		<b>10,695</b>	11,025
		<b>3,890,050</b>	3,456,682

		June 30, 2023	December 31, 2022
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>Current liabilities</b>			
Trade and other payables	16	706,119	699,530
Lease liabilities		22,936	25,239
Contract liabilities	17	102,391	96,456
Loans from non-controlling shareholders of subsidiaries		28,769	32,958
Dividends payable		542	—
Income tax liabilities		199,017	179,938
		<u>1,059,774</u>	<u>1,034,121</u>
<b>Net current assets</b>		<u>2,830,276</u>	<u>2,422,561</u>
<b>Total assets less current liabilities</b>		<u>7,279,443</u>	<u>6,781,770</u>
<b>Non-current liabilities</b>			
Lease liabilities		31,631	39,464
Contract liabilities	17	485,309	456,237
Deferred tax liabilities	18	184,682	134,215
Other long-term liabilities		49,829	37,850
		<u>751,451</u>	<u>667,766</u>
<b>Net assets</b>		<u>6,527,992</u>	<u>6,114,004</u>
<b>Capital and reserves</b>			
Share capital		142,148	142,148
Reserves		5,639,617	5,333,610
Equity attributable to owners of the Company		5,781,765	5,475,758
Non-controlling interests		746,227	638,246
<b>Total equity</b>		<u>6,527,992</u>	<u>6,114,004</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

The Company is an exempted company with limited liability incorporated on January 5, 2012 in the Cayman Islands under the Companies Law of the Cayman Islands, and its Shares have been listed on the Stock Exchange since December 19, 2013. The address of the registered office of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the address of the principal place of business in Hong Kong of the Company is Unit 709, 7/F, K. Wah Centre, 191 Java Road, North Point, Hong Kong. The Group is mainly engaged in the provision of burial services, funeral services and other services.

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

The application of the Amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

The Group enters into contracts with its customers for the provision of burial services, which include the sale of burial plots and cemetery maintenance services.

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

Revenue from the provision of cemetery maintenance services is recognised during the period of service. Contract price for the cemetery maintenance services is based on a nominal amount, which does not represent the fair value of such services. The Group estimates the fair value of the cemetery maintenance services income to be deferred based on the expected cost of providing such cemetery maintenance services plus a reasonable margin, less total future maintenance fees to be received.

Funeral and other services income are recognised when services are provided.

#### 4. SEGMENT INFORMATION

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Burial services	1,287,173	727,553
Funeral services	224,004	164,460
Other services	20,386	22,317
Inter-segments elimination	(7,021)	(7,937)
	<u>1,524,542</u>	<u>906,393</u>

#### **Geographical information:**

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Shanghai	734,283	328,550
Liaoning	112,771	74,224
Anhui	102,077	91,533
Henan	94,380	47,534
Jiangsu	76,644	57,795
Shandong	74,407	63,744
Jiangxi	63,617	55,010
Chongqing	57,096	45,782
Heilongjiang	54,002	30,574
Fujian	36,517	27,157
Guizhou	33,546	25,783
Zhejiang	33,100	22,712
Gansu	15,913	8,023
Guangxi	11,731	5,192
Inner Mongolia	10,041	7,793
Hubei	977	607
Shaanxi	75	—
	<u>1,511,177</u>	<u>892,013</u>

## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs, including remuneration of the Directors		
Salaries, wages, bonus and other benefits	258,733	192,670
Retirement benefits scheme contributions	16,330	17,925
	<hr/>	<hr/>
Total staff costs	275,063	210,595
	<hr/>	<hr/>
Depreciation of property and equipment	26,505	26,970
Amortization of right-of-use assets	12,421	12,026
Amortization of intangible assets	7,666	6,882
Amortization of cemetery assets	34,294	31,781
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## 6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax (“PRC EIT”)		
Current period	236,854	120,232
Under (over) provision in prior years	474	(2,802)
Deferred tax	42,678	(6,172)
	<hr/>	<hr/>
	280,006	111,258
	<hr/> <hr/>	<hr/> <hr/>

## 7. EARNINGS PER SHARE

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share ( <i>RMB'000</i> )	<u>464,723</u>	<u>261,099</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,271,063,422</b>	2,271,566,422
Effect of dilutive potential ordinary shares: Share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,271,063,422</b></u>	<u>2,271,566,422</u>

## 8. PROPERTY AND EQUIPMENT

	<b>June 30,</b>	December 31,
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Buildings	<b>362,072</b>	359,215
Leasehold improvements	<b>11,411</b>	9,030
Furniture, fixtures and equipment	<b>48,628</b>	51,630
Motor vehicles	<b>19,376</b>	14,748
Construction in progress	<u><b>120,954</b></u>	<u>137,238</u>
	<u><b>562,441</b></u>	<u>571,861</u>

## 9. GOODWILL

The movements of goodwill for the six months ended June 30, 2023 are as follows:

	<i><b>RMB'000</b></i>
COST	
At January 1, 2023 (Audited)	<b>1,091,243</b>
Arising from acquisition of a subsidiary	<u><b>37,806</b></u>
At June 30, 2023 (Unaudited)	<u><u><b>1,129,049</b></u></u>

## 10. CEMETERY ASSETS

	<b>June 30, 2023 <i>RMB'000</i> (Unaudited)</b>	December 31, 2022 <i>RMB'000</i> (Audited)
Land costs	<b>1,432,771</b>	1,286,573
Landscape facilities	<b>274,597</b>	283,612
Development costs	<u><b>380,468</b></u>	<u>360,465</u>
	<u><u><b>2,087,836</b></u></u>	<u><u>1,930,650</u></u>

The land costs have definite useful lives and are amortized on a straight-line basis over the lease terms.

Landscape facilities represent the construction cost of arbors and bridges in the mausoleum. Amortization for landscape facilities is provided on a straight-line basis over shorter of the remaining lease term of land or useful lives.

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

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

## 11. INVENTORIES

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Burial plots	412,423	407,299
Tombstone	84,842	99,744
Others	66,807	51,915
	<u>564,072</u>	<u>558,958</u>

## 12. TRADE AND OTHER RECEIVABLES

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	142,264	142,934
Less: Allowance for credit losses	(18,345)	(5,059)
	<u>123,919</u>	<u>137,875</u>
Other receivables comprise:		
Prepayments and rental deposits on properties	438	2,435
Other service receivables	6,000	6,000
Staff advances	2,018	1,212
Receivables from liquidation of a partnership ( <i>Note</i> )	104,000	190,000
Deposits for new projects	6,835	6,773
Prepayments to suppliers	10,571	7,290
Interest receivables	140	263
Loans to third parties in connection with cemetery projects	12,192	60,192
Others	24,010	11,076
Less: Allowance for credit losses	(6,307)	—
	<u>159,897</u>	<u>285,241</u>
	<u>283,816</u>	<u>423,116</u>

*Note:* In January 2021, the Group entered into a limited partnership agreement with other partners in respect of the establishment of Hainan Tongyuan Equity Investment Partners Corporation (Limited Partnership) (“Hainan Tongyuan”). Pursuant to the limited partnership agreement, the Group contributed RMB300,000,000, accounting for approximately 13.04% of the total capital commitment to Hainan Tongyuan and this investment is measured at FVTPL. In December 2021, a resolution was passed among all the partners whereby Hainan Tongyuan was scheduled to be dissolved in 2022. Up to the end of the Period, RMB196,000,000 has been received of the original investment, and the outstanding and pledged receivables amounted to RMB104,000,000 which will be collectible in accordance with the relevant agreements at a later stage.

The aged 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:

	<b>June 30, 2023 RMB'000 (Unaudited)</b>	December 31, 2022 RMB'000 (Audited)
Within one year	70,923	91,255
Over one year but less than two years	25,842	41,944
Over two years but less than three years	26,779	2,810
Over three years	375	1,866
	<u>123,919</u>	<u>137,875</u>

In determining the recoverability of the trade receivables, the Group reassesses any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period.

### 13. BANK BALANCES AND CASH

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

	<b>June 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
Interest rate per annum		
— RMB	0.20%–2.03%	0.20%–2.03%
— HK\$	0.01%	0.01%
— US\$	0.05%	0.05%

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

	<b>June 30, 2023 RMB'000 (Unaudited)</b>	December 31, 2022 RMB'000 (Audited)
HK\$	21,434	21,478
US\$	1,522	1,075
	<u>22,956</u>	<u>22,553</u>

#### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Unlisted cash management products	<b>760,940</b>	487,883
Equity investment	<b>38,110</b>	38,110
	<b>799,050</b>	525,993

During the Period, the Group entered into a number of contracts for cash management products as part of its cash management.

Details of the structured deposit and a number of cash management products at June 30, 2023 are as follows:

Bank	Name of products	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈1號) (note 1)	RMB	70,163	Redeemable on call after 1 work day on work day	2.51%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (天添利普惠計劃) (note 1)	RMB	147,632	Redeemable on call after 1 work day on work day	2.61%	N
Shanghai Pudong Development Bank	Company Tian Li (公司添利23JG5171期) (note 1)	RMB	30,000	2/2/2024 (note 2)	0.10% or 3.70%	Y
<b>Subtotal</b>		RMB	<u>247,795</u>			
China Construction Bank	Hui Zhong Ri Sheng (惠眾日申周贖產品) (note 1)	RMB	103,776	7 days cycle	2.60%-3.10%	N
China Construction Bank	Heng Ying (恒贏(法人版)) (note 1)	RMB	52,284	Redeemable on call after 1 work day on work day	2.9%	N
<b>Subtotal</b>		RMB	<u>156,060</u>			
Bank of Shanghai	Yi Jing Ling (易精靈) (note 1)	RMB	50,540	Redeemable on call after 1 work day on work day	2.01%	N
<b>Subtotal</b>		RMB	<u>50,540</u>			

Bank	Name of products	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal guaranteed
Shanghai Rural Commercial Bank	Tian Tian Jin (天天金1號) (note 1)	RMB	10,021	Redeemable on call after 1 work day on work day	2.00%-3.50%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利19026期) (note 1)	RMB	30,072	Redeemable on call after 180 work days on work day	2.70%-3.60%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利(3個月定開)) (note 1)	RMB	35,217	Redeemable on call after 90 work days on work day	2.50%-3.40%	N
Shanghai Rural Commercial Bank	Tian Tian Ying (日鑫天天盈C款) (note 1)	RMB	30,836	Redeemable on call after 1 work day on work day	2.01%	N
<b>Subtotal</b>			<u>106,146</u>			
China Industrial Bank	Ji Ji Feng (金雪球穩利季季豐) (note 1)	RMB	100,196	2/9/2023	3.00%-3.50%	N
China Industrial Bank	Liu Liu Fa (金雪球穩利陸陸發) (note 1)	RMB	100,203	2/12/2023	3.30%-3.80%	N
<b>Subtotal</b>		RMB	<u>200,399</u>			
<b>Total</b>		RMB	<u><u>760,940</u></u>			

*Note 1:* Investment portfolio of the products includes government debt instruments, treasury notes, corporate bonds and etc.

*Note 2:* If a knock-out event occurs on an observation date, the maturity date of the product will be adjusted to the third work day after such observation date.

In July 2018, the Group made an equity investment in Changchun Huaxia Cemetery in the amount of RMB29,000,000, accounting for 10% of the total equity interests and this equity investment was measured at FVTPL. Changchun Huaxia Cemetery is an unlisted company providing burial services in Changchun City of Jilin Province. In the opinion of the Directors, the fair value was approximately RMB38,110,000 as at June 30, 2023.

## 15. TIME DEPOSITS

<b>June 30,</b>	December 31,
<b>2023</b>	2022
<b>RMB'000</b>	<b>RMB'000</b>
<b>(Unaudited)</b>	<b>(Audited)</b>
<u><b>43,894</b></u>	<u><b>33,467</b></u>

As at June 30, 2023, the Group had fixed-term deposits of RMB43,894,000 in banks in the PRC with maturity of six months to one year and fixed interest rate ranging from 0.80% to 5.43% per annum (December 31, 2022: fixed interest rate ranging from 0.80% to 3.74% per annum).

## 16. TRADE AND OTHER PAYABLES

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	<u>310,596</u>	<u>308,552</u>
Other payables comprise:		
Advances and deposits from customers	39,937	21,961
Payables for acquisition of property and equipment	604	354
Salary, welfare and bonus payables	111,782	155,339
Other accrued expenses	76,418	55,381
Consideration payable for acquisition of subsidiaries	67,646	71,946
Reimbursed payables due to third parties	43,377	43,377
Others	<u>55,759</u>	<u>42,620</u>
	<u><b>706,119</b></u>	<u><b>699,530</b></u>

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

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0–90 days	59,308	96,462
91–180 days	39,166	27,746
181–365 days	65,122	35,670
Over 365 days	<u>147,000</u>	<u>148,674</u>
	<u><b>310,596</b></u>	<u><b>308,552</b></u>

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

## 17. CONTRACT LIABILITIES

	<b>June 30, 2023</b>	December 31, 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cemetery maintenance services	<b>541,655</b>	509,523
Sales of pre-need contracts	<b>46,045</b>	43,170
	<b>587,700</b>	552,693

### **Cemetery maintenance services**

The contract liabilities relate to cemetery maintenance services and represent the portion of revenue generated from the provision of burial services that has not been earned as revenue in accordance with the revenue recognition policy and the nature of the business.

The Group provides on-going cemetery maintenance services as part of the burial services to maintain the landscaped cemeteries and the large number of memorials that lie on the cemeteries.

Customers who purchase burial services at certain locations are required to make advance payments for maintenance fees, relating to the maintenance of their cremation niches or burial lots and memorials over 10 to 20 years, and such amounts are generally paid together with the purchase of the Group's burial services.

The Group keeps track of the cemetery maintenance expense for the sites and makes estimate based on the projected increases, such as increase in the labor cost and the incremental maintenance expense as a result of increase in future sales. Total estimated cemetery maintenance expense plus a reasonable margin, offset by estimated maintenance fees to be received, represents the deferred income, which is recorded as the contract liabilities relating to cemetery maintenance services.

### **Sales of pre-need contracts**

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

## 18. DEFERRED TAXATION

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

	<b>June 30, 2023 RMB'000 (Unaudited)</b>	December 31, 2022 RMB'000 (Restated)
Contract liabilities and loss allowance	73,072	61,444
Unused tax losses	13,792	17,817
Fair value adjustments	(131,032)	(132,186)
Right-of-use assets	(13,422)	(15,698)
Lease liabilities	13,623	15,698
Undistributed profits to be remitted from domestic subsidiaries to Group's overseas intermediate holding company	<u>(51,636)</u>	<u>—</u>
	<u><b>(95,603)</b></u>	<u><b>(52,925)</b></u>

## 19. DIVIDENDS

During the Period, the Company has declared and paid the final dividend of HK7.58 cents per Share for 2022, amounting to approximately RMB162.1 million in total.

On August 18, 2023, an interim dividend in respect of the six months ended June 30, 2023 of HK9.06 cents per Share was declared by the Directors.

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the results of the Group for the six months ended June 30, 2023 (the period under review) to all shareholders for review.

As the economic activities such as commerce, retail, consumption and services have gradually recovered in the past six months, and overall consumer confidence has returned to a positive trend. In the first half of the year, the gross domestic product of China grew by 5.5% year-on-year. As a leading funeral and life technology service provider in China, Fu Shou Yuan has been deeply committed to the concept of green and environmental protection for many years. With the increasing demand for green and environmentally friendly funerals, coupled with the market demand for high-quality consumption, including high-quality funeral services which regained momentum, the Group recorded a significant recovery in its results during the period under review.

For the six months ended June 30, 2023, Fu Shou Yuan recorded a revenue of RMB1,524.5 million, representing an increase of 68.2% over the corresponding period of 2022, and a net profit of RMB585.5 million, representing an increase of 79.0% over the first half of 2022, of which, profit and comprehensive income attributable to owners amounted to RMB464.7 million, representing an increase of 78.0% over the first half of 2022. The Board proposed to distribute an interim dividend of HK9.06 cents per Share for 2023, which is in line with the Group's committed dividend policy to reward Shareholders for their long-term trust and support.

Fu Shou Yuan has been dedicated to leading the development of the funeral industry and has continuously expanded its reach in the industry chain. It actively expanded to the field of digital life services, and placed greater emphasis on caring for and comforting individuals on a spiritual level to address people's aspirations for a better life by using technology to empower the transformation of life services. To this end, Fu Shou Yuan made significant efforts to improve its "Internet + death care" services, established the Fu Shou Cloud platform, and has become a leading provider of funeral and life technology services in China.

Thanks to its innovative achievements in brand building over the past 30 years, Fu Shou Yuan has received widespread recognition in the industry. In May 2023, as recommended by relevant departments and media, the Group participated in the 2023 Brand Power (Kunming) International Summit Forum and China Top 500 Innovative Brands Release Conference, and was selected as one of the Top 500 Innovative Brands in China, alongside companies such as Tencent and Alibaba. This was the second time for Fu Shou Yuan to participate in brand value evaluation, and the Group's brand value was assessed to be RMB11.978 billion, an increase of 284% as compared with that in 2017, which was a full recognition of the Group's successful brand development in recent years and its future potential.

Fu Shou Yuan continued to deepen its presence in the funeral industry and expanded its industrial chain in the life service industry by actively expanding and innovating its services. In June 2023, Fu Shou Yuan signed a contract for the funeral service project in Hunnan District, Shenyang, Liaoning Province, further improving Fu Shou Yuan's coverage of funeral industry chain in Northeast China. This move is expected to promote the integrated development of funeral services in the region and enable Fu Shou Yuan to provide better funeral services to the people of Shenyang.

Fu Shou Yuan actively undertakes its corporate social responsibility and conducts in-depth exchanges and cooperation with different fields and industries to push the life service industry to a broader stage and extend the reach of humanized life services to the general public. After a year of planning, in April, 2023, the Group formally established the Shanghai Qingpu Li Ji Academy of Continuing Education ("Li Ji Academy"), which was officially approved as a non-degree higher education organization, becoming the first corporate funeral vocational education institute in China. With the original intention of "serving the society through the industry", Li Ji Academy will spare no effort in developing the higher education of funeral services and training of talents. At present, Li Ji Academy has established cooperation with the National Funeral Directors Association (NFDA), and the first international "Memorial Arranger" training course in Asia was launched at the beginning of June, 2023, which marked a significant step in the Group's exploration of education and talent internationalization and set a new milestone for the funeral industry.

In 2023, Fu Shou Yuan continued to support the national initiative of "Digital Economy" construction by actively expanding its Internet mindset and embedding digital technology into its traditional business, including the launch of the "Digital Cemeteries • Huixin Valley" project, which marked Fu Shou Yuan's official entry into the field of digital life services. Following the launch of the VR panoramic park tour last year, the Group's Changzhou Qifengshan Cemetery launched the digital immersive tombsweeping service during the recent Qingming Festival to allow the public to experience digital tombsweeping. In June, 2023, the Group held the launch conference for digital transformation and "3JI" products, and released the "3JI" innovative iterative products integrated with "marking, commemorating and recording". In addition, the first digital human model of Fu Shou Yuan which was based on a famous media worker Cao Jingxing was also displayed at the venue.

In fact, Fu Shou Yuan always actively embraces digital transformation. In particular, it started its first attempt by introducing online tomb-sweeping service in 2001, adopted QR code technology for tombstones in 2014 and launched the "Fu Shou Cloud" platform in 2020 to build an online 3D memorial hall for the deceased, collect and organize information such as images, graphics and sounds to provide users with immersive digital funeral products. All of these demonstrate the Group's continuous efforts in keeping abreast of the times in its digital transformation strategy.

During the period under review, Fu Shou Yuan made use of modern internet technology to move funeral services to JD.com, which presented clear information on cemetery culture, purchase of funeral supplies, all-year-round tomb-sweeping service, and pre-need funeral packages (pre-need contracts) to provide funeral services in a more open and transparent manner. The online shopping mall received positive response during the period under review.

With the structural changes in Chinese society, characterized by an aging population and a declining birth rate, the demand for pre-arranged funeral services has been steadily increasing, leading to continuous growth in the industry. Looking forward, the Group will continue to adhere to the original aspiration of “running a good enterprise and changing the entire industry” and actively pursue breakthroughs in corporate transformation, product development and service improvement, including the continuous launch and development of high-quality products, digital cemetery, development of online and offline sales channels, and cooperation with different organizations in order to create long-term benefits for the industry and our 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, promoting people's well-being to a new level and continuously enhancing people's sense of satisfaction, happiness and security will be the key goals of China's future development in people's livelihood. 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 death" have become the major issues in the field of death care service and have been promoting the development of China's death care service industry in depth.

In recent years, China has been undergoing rapid urbanization. The steady increase in the level of urbanization will give rise to a wide range of demands from the new urban population in various areas such as infrastructure, healthcare and consumption. According to the documents published by the National Bureau of Statistics of China, as of the end of 2022, China's resident population in urban areas reached 920.71 million, representing an increase of 6.46 million compared to the end of 2021, while the urbanization rate was 65.2%, representing an increase of 0.5 percentage point compared to the end of 2021. At the same time, the level of China's aging population has further heightened. At the end of 2022, the number of people aged 60 and above reached 280.04 million, accounting for 19.8% of the total population. The number increased by 12.68 million compared to the end of 2021, representing a rise of 0.9 percentage point 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 will successively enter old age, resulting in a sharp increase in China's aging population. In addition, with the continuous advancement in funeral reforms and customs changes, the cremation rate of remains in China continues to increase. In 2021, 5.966 million bodies were cremated nationwide with a cremation rate of 58.8%, 3.1 percentage points higher than that of 2020. Looking ahead, the acceleration of and interplay between the new urbanization process, the aging population trend and the increased cremation rate of remains will continuously give rise to a massive demand for death care services in the market.

China has made great efforts to promote high-quality economic development, and production has returned to normal, leading to a continuous increase in the economic activities of the service industry and a continuous recovery in the consumer market. According to the National Bureau of Statistics of China, in the first half of 2023, the country's GDP amounted to RMB59,303.4 billion, representing a year-on-year increase of 5.5% on constant price basis, with the overall economy showing favorable resumption. In the first half of 2023, the disposable income per capita of urban residents was RMB26,357, representing a year-on-year nominal growth of 5.4% and an actual growth of 4.7% after deducting price factors compared to 2022. The consumption expenditure per capita of urban residents was RMB15,810, representing a year-on-year nominal growth of 7.7% and an actual growth of 7.0% compared to 2022. In addition, China maintained its momentum in consumption upgrading with its residents' demand for quality continues to increase, the concept of green and environmental protection becoming more popular, and the willingness to spend for services remaining strong. As a funeral service provider with human touch, while satisfying the basic funeral service needs, we will also cater for the public's growing demands for diversified and differentiated services with high quality, providing multi-layered service content and more convenient service scenarios to extend humanistic care and emotional comfort to the deceased and their families.

In recent years, 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 issued the 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 weaknesses in death care service facilities 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 addition, 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. The Group expects that there will be a higher entry barrier for both new and existing participants in the death care service industry. As a distinguished death care service provider and a leader of the industry in China, we have always been at the forefront of the industry in terms of compliance with the law, and we believe the above-mentioned regulations will create a better environment with fair competition and

adequate room for sustainable development. We will continue our efforts in directing the development of the industry and better serve the public through death care services that meet both psychological and cultural needs.

The Opinions on Promoting the Development and Expansion of the Private Sector Economy (《關於促進民營經濟發展壯大的意見》), issued in July 2023, covers a total of 31 articles in eight sections, proposing a package of synergistic policies in respect of the development environment, policy support and the safeguarding of rule of law for the private sector economy. It especially stipulates the relevant arrangements for the high-quality development of the private sector economy, including the continuous optimization of the development environment of the private sector economy, the construction of a high-level socialist market economic system, the continuous optimization of a stable, fair, transparent and predictable development environment, and the full stimulation of the vitality of the private sector economy, which have charted the direction for sustainable development and expansion of China's private sector economy. With the continuous introduction of specific measures to optimize the business environment across the country and the steady progress of the "Decentralization-Control-Service" reform, market vitality will be further stimulated, which will be beneficial for the Group to make more positive contributions to the death care service industry.

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 national database for digitalized 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. In the same month, the Ministry of Civil Affairs issued Specifications for Online Worshipping Services (《網絡祭祀服務規範》), which sets 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 Festival in 2023, a total of 5.5117 million people chose to carry out worship online, 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 to modern. "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. "To use the scientific ways of thinking and approach to give the deceased dignity, and use modern technology to enhance death care with more humane and high-end services" 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 digital transformation in death care services.

As China's economic development enters a new era, people's demands are gradually moving from "availability" to "quality". In the death care service sector, given the increasing disposable income per capita, the government's vigorous promotion of traditional Chinese culture and virtues, the accelerating urbanization progress, the aging population and the rising cremation rate of remains in China 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 multilayered 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 structural reform of the supply side of death care services. It secures the basic livelihood requirements and satisfies the public's demand for multilayered 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**

With economy and society resuming normal across the country and macro policies taking effect, China's economy has been rebounding and improving with steady progress in high-quality development. In the first half of 2023, the country's GDP accumulated to RMB59,303.4 billion, representing a year-on-year increase of 5.5% on constant price basis, and the overall economy is presenting a stable and resuming trend.

During the Period, the Group kept its focus on sustainable and fast development amidst the new era and environment. We explore in the dual dimension of both market and product, endeavoring to satisfy the diversified and differentiated consumer needs of customers, especially on the spiritual fronts, with efforts in multiple aspects including service expansion, technology leadership and cultural innovation.

In respect of cemetery business, on one hand, we have made prompt arrangements, evaluating the accumulated and delayed consumption demands to achieve an early “lock in” of customer pipeline, which involves the precise analyze and grasping of customer’s pain points and demands, as well as the development and upgrade of responsive products and services. On the other hand, pursuant to the Group’s strategic transformation on the digital technology front, we have been stepping up our implementation and exploration in the areas of Cloud Memorial, digital cemetery and digital assets. We will never content with the mere transformation of cemeteries into parks and making them beautiful “Monuments”, instead, we are also eager to deepen the “Heritage” and prolong the “Memories” with digital means, in an effort to establish ourselves as a science-based life service provider that passes on spiritual heritages. With the successful establishment of Huixin Valley by Shanghai Fu Shou Yuan, and based on our profound research and contemplation to its brand-new concepts in scenic design and life services, we have developed “3JI”, an innovative product with iterative computing function, to realize our pursuance in “Monument, Memories and Heritage”, in short, to create beauty with monuments, show lasting yearning with memories, and deepen respect to heritage. In terms of monument, Fu Shou Yuan has set up a demonstration zone in Shanghai Huixin Valley under the theme of “Garden of Heal”. It draws inspiration form Monet, the impressionist master, to depict a picture of life and create a beautiful space for the departed to rest and the living to share. In terms of memories, “3JI”, our innovative iterative product, is able to create a funeral ceremony that will leave a lasting impression on attendees, which features immersive digital auditoriums, 270-degree surround screens, holographic projections, or scenario experiences such as lawn concerts. The product can also be used for subsequent events such as family reunions, birthday anniversary of the deceased for educational purpose and commemoration at the death anniversary. In terms of heritage, “3JI”, our innovative iterative product, also provides services such as life memoirs, digital genealogy and online memorials, preserving crucial details, photos, videos and other digitized assets of a person’s life to pass on family history and spiritual treasures.

Not only have we endeavored to extend and broaden our product coverage, but we have also kept enhancing our cemetery management with digital and technological empowerment, in a bid to improve resource utilization, protect ecological diversity and maintain harmony with environment. To implement the national dual carbon strategy and practice our corporate and industry responsibility, Shanghai Fu Shou Yuan assesses the “carbon footprint” of the tomb stones we procured. It is our aims to estimate the carbon emissions across the Group and the industry by evaluating those of each tomb stone. By reducing energy consumption, enhancing energy efficiency and facilitating sustainable development of enterprises, we hope to promote high-quality economic development while maintaining harmony between man and nature.

During the Period, the EPC model of Temshine, a wholly-owned subsidiary of the Company, has undergone significant refinement and made progress not only in terms of construction efficiency and standards, but also managed to acquire service contracts from projects outside of the Group. The implementation of EPC model fully demonstrates the advantages of Group's internal resources integration, which significantly reduced the communication cost between design and construction, increased management efficiency of the whole process of the engineering program and minimized uncontrollable factors. With the growing demand for constructing burial and funeral facilities in the PRC, the establishment and development of EPC model is a positive driving force of and serves strategic value for exploring new service content of the Group in the future and driving increase in new values. In addition, the design business of Temshine continued to make full play to its market access, especially those to the construction of government-led funeral facilities. It has won a number of large and medium-sized contracts in the first half of the year, with multiple projects being closely tracked. Further, the design business conducted preliminary cooperations with government platforms to obtain high-quality project information and create opportunities for cooperation between government and enterprises, bringing the Group larger information capacity.

In respect of funeral services business, we focused our efforts on four areas during the Period, namely, business restructuring, services innovations, training and development and standardized management. We have launched a business initiative named "Five Ups & Five Downs" to ensure more reasonable and healthier operational indicators, and made our innovations in embalming, paper coffin, SPA and high-end hearse as a leverage to promote the high-quality development of our funeral services on a sustainable basis, thereby fulfilling the differentiated and diversified service demands of clients and lead the development of the industry. At the same time, we further expanded and optimized the scope and process of centralized procurement, and actively promoted the strategy of cultural and creative products. Through cultural and brand empowering of traditional funeral equipment, we successfully pushed forward the transformation from "practical products" to "cultural and creative products", thus improving customers' consumption experience and satisfaction.

In respect of innovations in digital technology, during the Period, we focused on building our capacity of intelligent value creation and comprehensive resources utilization in the life service ecosystem, and continued to expand the service scope of our technological products, with a more in-depth and solid services system merging online and offline, as well as user services with more refined details. On the foundation level, we have completed the VR environment system of Shanghai Fu Shou Yuan to provide basic support for further development of our online services. On the application level, we have successfully implemented a technology to generate “digital person”, which uses both two-dimensional and three-dimensional display methods to restore the image of a person, who is able to carry out free communication powered by AI training and data base. We showcased a “digital person” with AI communication function, the first of its kind in the industry, on the 9th China International Funeral Equipment & Supplies Expo (第九屆中國國際殯葬設備用品博覽會) (CIFE), which has received wide attention from the industry. Meanwhile, we have completed the commercialization of our immersive funeral system and started to serve various users on a continuous basis. In terms of cloud services, both the user retention rate, activity rate and payment rate of Cloud Memorial experienced a continuous rise during the Qingming Festival this year, indicating that, after three years of use, users have begun to get accustomed to carrying out worship and commemoration with Cloud Memorial.

As an important strategic pivot of the Group, pre-need contract services help the Group to lock in customers earlier and bring a stable customer base to the funeral and cemetery segments. In the context of an aging society, pre-need contract services attract more customers wishing to make their after-death arrangements earlier, and have also gained the recognition, support and service orders from governments at all levels and elderly service institutions. During the Period, people have gained a deeper understanding of life, which brought the pre-need contract business a new high with a total of 9,272 signed contracts, representing an increase of 18.4% compared to the same period of last year (same period of last year: 7,834 contracts). Firstly, we have popularized pre-planning through board games about life, such that people’s acceptance of these services have been further enhanced, which also makes it easier for the multi-channel promotion of contract products. Secondly, we have also launched our pre-need contract and various peripheral products on online platforms such as JD and Taobao. The expectation of business institutions and governmental organizations for a stable supply has further increased, and we have achieved business cooperation with elderly care institutions, communities, the Red Cross, the aid station and retirement council, etc. on a number of occasions. Thirdly, the content of and demand for services have further expanded, as the public and social institutions have diversified demands for our professional services such as hospice care and mourning therapy. A sequential system of innovative products has now been developed, which also provides a targeted front-end scenario for the marketing of pre-need contract products. In addition, the pre-need contract service system is highly regarded among customers by virtue of its prompt and high-quality services in all circumstances. The supply capacity of the entire service system has also been further

validated and optimized. We will integrate more funeral service providers through the export of our business model to create a service network with larger and denser coverage, so as to serve the public more quickly and extensively.

The Group's eco-friendly cremation machine business integrates R&D, design, in-house production, comprehensive support and after-sales service to manufacture smart and eco-friendly cremation equipment and exhaust gas purification treatment systems. During the Period, with a focus on the innovation and environmental protection ability of our products, we have actively introduced, through self-development, various types of practical and innovative equipment with purification technology inside and outside the industry, which further optimized the level of our process and design and improved our capabilities in equipment manufacturing. We have successfully developed a new type of cremator, JS3-II, which greatly reduces the time of cremation and is expected to save energy consumption by more than 10% after being put into use. We have also manufactured exhaust purification equipment that can perform cooling, acid removal and dust removal functions simultaneously, and it is expected that with this equipment, our overall cost can be reduced by more than 15%. At the same time, we actively maintain domestic and foreign customers by providing quality pre-sales technical support and after-sales repair and maintenance. During the Period, we entered into sales cooperation agreements with various domestic partners for cremators, the exhaust purification system ancillary to them and certain ancillary equipment, while continuous effort have been made for "Jiesheng" to go abroad and make the brand known all over the world. While the Group will further invest in R&D with a focus on targeted markets to design and manufacture less costly and highly adaptable equipment for the funeral industry, more resources will be devoted to the marketing and promotion of our cremators to constantly improve production quality and service system construction and the practice of green concepts, thereby maintaining its leading position in the market in terms of technology.

In relation to the expansion of our cemetery and funeral business, the Group continued to expand its presence into key regions and key cities, seeking replicable models for rapid development by means of mergers and acquisitions of high-quality development as well as innovative drivers of mixed reform projects and cooperative projects. During the Period, the Group acquired 100% equity interest in Yan'an Hongfu. This project is a funeral integration project comprising the operation of a cemetery and the provision of funeral services. 428 mu of land for funeral construction has been acquired through bid invitation, auction and listing. This project is the Group's first strategic foothold in Shaanxi Province, where Yan'an City is one of the most important revolutionary bases of China with great historical significance. The Group will develop the project into a Shaanxi-Gansu Revolutionary Memorial Park celebrating communist values in the future. The Group has also reached and signed a cooperation agreement with Shenyang Fuyuan Industrial Group Co., Ltd.\* (瀋陽福園實業集團有限公司) ("Shenyang Fuyuan"), under which both parties will establish a joint venture in Shenyang to develop funeral service-related business. Shenyang Fuyuan is a member of a group which is a sizable state-owned funeral group in Shenyang. This project is the Group's first

government-enterprise cooperative project in the funeral sector in the northern region and represents a further improvement of the Group's funeral industry chain in the northeastern region. As of now, our footprint covers over 40 cities in 20 provinces, autonomous regions and municipalities in China, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu, Hubei, Hebei and Shaanxi, which covers our operating cemeteries and funeral facilities in major cities across 17 provinces, municipalities and autonomous regions in China.

The Group has always attached great importance to organizational vitality and talent development. By actively establishing a multi-channel development model for its employees and an innovative organizational incentive mechanism, it has built a pipeline of outstanding professional talent while exploring the industrial chain in a reasonable way, giving full play to the important role of professional and skilled talents in the Group's development. During the Period, in collaboration with an external professional consulting team, we continued to strengthen team building, improve operational structure, advance the standardization of business processes and enhance systematic construction. The award and incentive systems for employees have been enriched and optimized, and we have introduced a science-based personal performance management system, which has prompted the team and the Group to develop a strategic vision with shared goals and fully adhere to the Group's strategic development objectives.

Since the establishment of the "Fu Shou Yuan Life Service Academy"(福壽園生命服務學院) in 2016, we have been adhering faithfully to the original aspiration of humanistic inheritance education. We have always been committed to shouldering our corporate responsibilities by incorporating an international vision into the current situation and trend of China's death care service industry as well as continuously empowering the industry with knowledge, innovation and talent incubation. Upon obtaining approval from the Qingpu District Education Bureau, Shanghai in December 2022, Shanghai Qingpu Li Ji Academy of Further Education (上海青浦禮濟進修學院) ("Li Ji Academy") has been incorporated in April 2023. As a private non-academic higher education institution officially approved by the Education Bureau and the first vocational education institution for deathcare service industry in the country, Li Ji Academy is committed to establishing itself as the industry's business school, industrial school, social sciences school and international school. Li Ji Academy will collaborate with various tertiary institutes to assist self-taught adults in examinations, in order to inspire those interested in pursuing a career in death care service industry to receive further education and training, thereby expanding the pool of talents for the industry. Also, it develops in-depth "Industry-University-Research" collaborations with vocational education institutes to nurture professional talents for the death care service industry. In addition, it works hand in hand with the practitioners of life education in the society to nurture life social workers (i.e. social workers specialised in education, elderly, hospice care and funeral) with high schools. Moreover, it cooperates with a number of international funeral industry associations, including the World Organization of Funeral Operatives

(FIAT-IFTA), National Funeral Directors Association (NFDA), International Cemetery, Cremation and Funeral Association (ICCF) and Australian Funeral Directors Association (AFDA), with a view to establishing a sound and globally-recognised training certification system as well as enhancing the professionalism of industry's practitioners for the sake of aligning with international advanced standard. Upholding the principle of "Industry Serving the Society", Li Ji Academy will spare no efforts in developing higher education of funeral profession closely aligned with industry demands. In a response to the country's initiative of enterprises' involvement in vocational education and the implementation of "academic certificate + vocational skill level certificates" (1+X) pilot scheme, we integrated practical skills of the industry into vocational education to nurture skilled, qualified and well-educated talents for the development of the industry. Looking forward, Life Service Academy will continue to empower its staff in executing various tasks for the enterprise's internal education, while Li Ji Academy will shoulder its corporate responsibilities to make a joint effort in contributing our wisdom and efforts to the modernization and development of vocational education of funeral profession in China.

The Group continued to uphold our "People-oriented and Culture-rooted" philosophy and follow the development strategy of transforming from a funeral service provider to a funeral and life technology service operator and extend Fu Shou Yuan from the earthly realm to the spiritual realm. We aim to make "Monuments" beautiful, deepen the "Heritage" and prolong the "Memories", thereby establishing ourselves as a technological based cultural enterprise that passes on spiritual heritages. During the Qingming Festival in 2023, a total of 14,283 pieces of messages related to "Fu Shou Yuan" were recorded across the Internet, representing a year-on-year increase of 22%. Fu Shou Yuan's innovative memorial services, such as "Online Tomb Sweeping" (雲祭掃), "Online Memorial" (雲紀念), "VR Tomb Sweeping" (VR實景祭掃), digitalized exploration of the "JD Channel on Spring Ancestral Worship" (京東春祭頻道), "Postbox to Heaven" (天堂郵筒), "Water-soluble Paper Worship" (水溶紙祭祀) and "Family Letter for Qingming Festival" (家書祭清明) were well-received by the general public. Cultural activities such as the 5th Qingming Forum of Peking University, the Life Book Club in the Life Bookstore and hospice care projects, anatomical donation memorial activities, charitable activities such as charitable ecological funerals, life education philosophy dissemination and the stories of funerary practitioners were liked by netizens. The 9th CIFE was held in Qingdao, Shandong in June 2023. During the CIFE, the Group held the Digitalized Transformation and "3JI" Product Launch Event, where its innovative and iterative product, "3JI", a combination of "Monuments, Memories, and Heritage" was launched. The six major modules were also highlighted in the event, namely environmental-friendly machine manufacturing, customised memorial supplies, life education, pre-need services, Fu Shou Cloud Technology and Temshine design institute. Besides, we promoted our brand concept through various means including seminar on the event theme, mini-lessons by Li Ji Academy as well as thematic reports on Sino-Japanese cultural exchanges. On another front, the first "digital person" model produced by Fu Shou Yuan modelling on a well-known media figure, was displayed on site and attracted widespread attention. The

third batch of Quality-Oriented Education Premium Programmes in Shanghai has been officially launched on the “Quality-Oriented Education Premium Resources Platform for Students in Shanghai” in April 2023. Riding on its rich red cultural background while embodying memorial cultural elements, Fu Shou Yuan ingeniously designed the Humanities Experiential Courses entitled “In Search of the Footprint of Original Aspiration with Respect for the Great Achievements of the Country”, which has been selected as one of such programmes and included in the catalogue of the “Off-Campus Experiential Courses” on the platform. In June, the “Sages and Shanghai’s Urban Memory” forum was jointly hosted by the Humanities Memorial Museum of Shanghai Fu Shou Yuan. With “all rivers flow to the sea while all great ways share a common spirit” as the theme, it aimed to commemorate the 75th anniversary of the “May Day slogan” promulgated by the Central Committee of the Chinese Communist Party. The historic role of the “May Day slogan” and its present-day inspiration have been explored from multiple perspectives in the forum. The Group has gained wide recognition for its achievements in such aspects as charitable activities, technological innovations and brand development, receiving a number of awards including “Annual Excellent Charity Communication Case” (年度優秀公益傳播案例) in the China Economic Media Integration Development Summit Forum, “Top 10 Public Welfare Projects of the Year” (年度十佳公益項目) in the Shanghai Public Welfare Selection, “Outstanding Digital Innovation Enterprise” (傑出數字化創新企業) at the 4th Brand Innovation Development Conference and “2023 Sustainability Contribution Award” (2023綠色可持續發展貢獻獎) in the International Green Zero-carbon Festival. Particularly worth mentioning is that, at the “2023 Brand Power (Kunming) International Summit Forum and China Top 500 Innovative Brands Release Conference”, the Group, riding on its innovative achievements in brand building over the past 30 years, was ranked among the State Grid, Huawei Technologies, Tencent Technology and Alibaba as “China Top 500 Innovative Brands in 2023”, based on recommendations by relevant authorities and various media, with a brand value of RMB11.978 billion, an innovation index of 428.57 and a rank of 239.

In view of the above, the concerted efforts of all members in the Group have contributed to a considerable growth during the Period. The Group recorded a total revenue of RMB1,524.5 million, representing an increase of approximately 68.2% compared to the same period of last year. Profit and comprehensive income attributable to the owners of the Company amounted to RMB464.7 million, representing an increase of approximately 78.0% compared to the same period of last year.

## REVENUE

During the Period, our revenue increased by RMB618.1 million or 68.2% to RMB1,524.5 million from RMB906.4 million in the same period of last year. We derive our revenue primarily from three business segments: burial services, funeral services and other services. The following table sets forth our revenue by segment for the Period:

	Six Months Ended			
	June 30, 2023		June 30, 2022	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Burial services	1,287,173	84.4%	727,553	80.3%
Funeral services	224,004	14.7%	164,460	18.1%
Other services	20,386	1.3%	22,317	2.5%
Inter-segment elimination	(7,021)	(0.4%)	(7,937)	(0.9%)
Total	<u>1,524,542</u>	<u>100.0%</u>	<u>906,393</u>	<u>100.0%</u>

## BURIAL SERVICES

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

	Six Months Ended			
	June 30, 2023		June 30, 2022	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	9,787	1,183,455	6,099	642,136
Public welfare plots and tomb relocation	1,890	5,412	5,201	14,565
	<u>11,677</u>	<u>1,188,867</u>	<u>11,300</u>	<u>656,701</u>
Other burial services		<u>98,306</u>		<u>70,852</u>
Total revenue from burial services	<u>11,677</u>	<u>1,287,173</u>	<u>11,300</u>	<u>727,553</u>

During the same period of last year, the market demand for burial services were temporarily restrained. During the Period, 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. During the Period, revenue from sale of burial plots services for ordinary business purpose increased by RMB541.3 million or 84.3% as compared to the same period of last year, and sales volume increased by 3,688 or 60.5%. Meanwhile, the revenue contribution from cemeteries in Shanghai was impacted by the Covid-19 outbreak and lower in the same period of last year, resulting in a relative lower base of ASP. During the Period, cemeteries in Shanghai has posted a strong revenue contribution and hence the ASP increased by 14.9%. During the Period, sale of public welfare plots and tomb relocation recorded RMB5.4 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 reduction in the sale of public welfare plots and tomb relocation was mainly due to one-off large-scale tomb relocation activity in the same period of last year.

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 Period:

	<b>Six Months Ended</b>			
	<b>June 30, 2023</b>		<b>June 30, 2022</b>	
	<b>No. of burial plots</b>	<b>Revenue (RMB'000)</b>	<b>No. of burial plots</b>	<b>Revenue (RMB'000)</b>
Sale of burial plots services for ordinary business purpose, from:				
Comparable cemeteries*	<b>9,785</b>	<b>1,183,268</b>	6,099	642,136
Cemeteries related to acquisitions/new construction	<b>2</b>	<b>187</b>	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue from sale of burial plots services for ordinary business purpose	<b><u>9,787</u></b>	<b><u>1,183,455</u></b>	<b><u>6,099</u></b>	<b><u>642,136</u></b>

\* Comparable cemeteries refer to those cemeteries owned and operated by the Group for the entire period from January 1, 2022 to June 30, 2023.

During the Period, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries increased by RMB541.1 million or 84.3% as compared to the same period of last year. Its sales volume increased by 3,686 or 60.4%. This is because cemeteries resumed to normal operation during the Period. Around Qingming Festival, the number of customers visiting the cemetery parks to purchase the burial plot or perform the tomb sweeping has significantly increased and the accumulated and deferred market demand for burial services have come up swift and strong. In particular, the sales volume of the two cemeteries in Shanghai which were severely affected by the pandemic in last year has picked up significantly during the Period together with the delivery of high quality service and innovative burial plot products to the customers. Meanwhile, the ASP increased by 14.9%, due to the combined effect of improved products mix, contributions from various cemeteries and the increase in their value, etc. In particular, the ASP of two cemeteries in Shanghai were the highest among the Group, however, as the proportion of sales in Shanghai area decreased last year due to the pandemic, the Group's ASP reported a lower base in the same period of last year. During the Period, revenue rebounded strongly in the two cemeteries in Shanghai, leading to the increased Group's ASP. Revenue from sale of burial plots services for ordinary business purpose in newly acquired or newly developed cemeteries increased by RMB0.2 million, mainly due to the contribution from Heze Fuluyuan which started to operate during the Period. 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 and these new cemeteries need time to improve their landscape, enhance the services, strengthen their team and upgrade the operation gradually, in order to provide high quality services to their customers and to increase the return of the Group. We formulated a systematic operation improvement plan for these new projects to ensure the achievement of the above goals. Leveraging on our advanced philosophy, extensive management experience in death care business and a strong team of professionals, those new cemeteries are expected to achieve profitable growth in the future.

## FUNERAL SERVICES

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

	Six Months Ended			
	June 30, 2023		June 30, 2022	
	No. of customers	Revenue (RMB'000)	No. of customers	Revenue (RMB'000)
Funeral services, from:				
Comparable facilities*	41,691	223,972	34,673	164,460
Facilities related to new acquisitions/new construction	2	32	—	—
Total revenue from funeral services	<u>41,693</u>	<u>224,004</u>	<u>34,673</u>	<u>164,460</u>

\* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2022 to June 30, 2023.

During the Period, revenue from funeral services increased by RMB59.5 million or 36.2%. The volume of funeral services increased by 7,020 households or 20.2%, while ASP increased by RMB630 or 13.3%. Revenue from comparable funeral facilities and services increased by RMB59.5 million or 36.2%. The service volume increased by 7,018 households or 20.2%, while ASP increased by approximately 13.3% as compared to the same period of last year. The aforesaid increase was mainly due to the following combined effect: 1) funeral facilities resumed to normal operation and value-added services such as wake services, ceremonial farewell services were allowed to be performed after the lifting of epidemic prevention and control measures such as restrictions on gatherings in various regions; 2) the funeral facilities which were established in recent years and the brand image were accepted by local market have started to contribute more in terms of service volume and revenue; and 3) the increase of funeral service volume together with the acceleration of aging population, urbanization process and increased cremation rate in the local market.

During the Period, the revenue from facilities related to new acquisitions/new construction was contributed by Yan'an Hongfu's funeral services, which was acquired in June 2023.

## 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 Period:

	Six Months Ended			
	June 30, 2023		June 30, 2022	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Shanghai	734,283	48.6%	328,550	36.8%
Liaoning	112,771	7.5%	74,224	8.4%
Anhui	102,077	6.7%	91,533	10.3%
Henan	94,380	6.2%	47,534	5.3%
Jiangsu	76,644	5.1%	57,795	6.5%
Shandong	74,407	4.9%	63,744	7.1%
Jiangxi	63,617	4.2%	55,010	6.2%
Chongqing	57,096	3.8%	45,782	5.1%
Heilongjiang	54,002	3.6%	30,574	3.4%
Fujian	36,517	2.4%	27,157	3.0%
Guizhou	33,546	2.2%	25,783	2.9%
Zhejiang	33,100	2.2%	22,712	2.5%
Gansu	15,913	1.0%	8,023	0.9%
Guangxi	11,731	0.8%	5,192	0.6%
Inner Mongolia	10,041	0.7%	7,793	0.9%
Hubei	977	0.1%	607	0.1%
Shaanxi	75	0.0%	—	—
<b>Total</b>	<b>1,511,177</b>	<b>100.0%</b>	<b>892,013</b>	<b>100.0%</b>

During the Period, revenue in all regions increased to different degrees thanks to the realization of the accumulated and deferred market demand from prior year. Revenue from Shanghai region has reported a significant increase due to a swift and strong sales rebound and the lower base in the same period of last year. Revenue from Shaanxi region is related to Yan'an Hongfu's funeral services, which was acquired in June 2023.

## **OTHER SERVICES**

Revenue from other services for the Period mainly represented revenue of approximately RMB6.6 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, revenue from Construction Services ("EPC") of RMB3.9 million, and revenue from the sale of cremation machines and other related services of approximately RMB5.9 million.

## **OPERATING EXPENDITURE**

The Group's operating expenditure, which accounted for 44.6% of total revenue for the Period (the same period of last year: 54.9%), increased by RMB182.2 million or 36.6%. The significant increase in the number of business activities and sales services after the epidemic led to an increase in various operating expenses, but the decrease in the proportion of operating expenses to total revenue compared with previous years reflects the improvement of the Group's operating efficiency. Meanwhile, the Group continued to optimize the resource allocation in order to best meet the development needs and achieve a cost-effective operation.

The Group's staff costs include staff salaries, bonuses and benefits. During the Period, the staff costs increased by RMB64.5 million or 30.6%. Such increase was mainly attributable to the combined effects of the return of staff salaries to normal level, relative incentive policies have been restored, and during the Period, we no longer enjoyed various social security reduction and exemption policies as the same period last year, as well as newly acquired companies such as Heze Fuluyuan which started to construct and operate with staff costs incurred.

The construction costs relate to the expenditures in building burial plot products (excluding stone materials). During the Period, the construction costs increased by RMB3.9 million or 7.7%, mainly due to the combined effects of (1) newly acquired or established companies' construction costs, and (2) the expenditure incurred during the Period on the existing projects inherited from prior year. Meanwhile, the Group focuses on cost invested in construction, through optimizing the vendor 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 Period, the consumed materials and goods increased by approximately RMB39.9 million or 56.9%, in line with the growth of business volume of burial and funeral services during the Period. 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 Period, the marketing and sales channel costs increased by RMB8.6 million or 52.8%. Such increase related mainly to the investment in the local marketing activities and nation-wide industry exhibition, etc. and was aimed to support the rapid rebound of the business. The increase in such costs was in line with the increase in business volume and sales revenue.

Depreciation and amortization increased by RMB3.2 million or 4.2%, mainly due to the commencement of operation of certain new cemeteries and funeral facilities in the last year.

Other general operating expenditures increased by RMB23.2 million or 38.0%. The increase of other general operating expenditures such as office expense and travel expense and etc. was mainly in line with the improved sales performance during the Period.

## OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Period increased by RMB435.9 million or 106.5% as compared to the same period of last year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Period:

	Six Months Ended			
	June 30, 2023		June 30, 2022	
	Operating Profit (RMB'000)	Operating Profit Margin	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	801,603	62.3%	391,996	53.9%
Funeral services	46,769	20.9%	21,936	13.3%
Other services	(4,525)	(22.2%)	(4,388)	(19.7%)
Inter-segment elimination	1,311	(18.7%)	(326)	4.1%
<b>Total</b>	<b>845,158</b>	<b>55.4%</b>	<b>409,218</b>	<b>45.1%</b>

During the Period, the operating profit margin of burial services increased to 62.3% from 53.9% in the same period of last year. The increase was mainly attributable to the lower base in the same period of last year when the business of two cemeteries in Shanghai were severely impacted by the Covid-19 outbreak. During the Period, the accumulated and deferred market demand has come up swift and strong. The mature cemeteries within the Group, such as the two cemeteries in Shanghai, have proved a quicker rebound in terms of volume and revenue than those developing cemeteries. Since mature cemeteries have higher operating profit margin, the Group's overall operating profit margin of burial services increased accordingly.

Funeral services were affected by the Covid-19 outbreak last year and certain value-added services and products were unable to be provided in line with social distancing requirements. During the Period, funeral facilities resumed to normal operation and value-added funeral services such as wake service and etiquette farewell services with relatively higher margin were allowed to be performed. In addition, the promotion and acceptance of innovative services, such as body SPA and anti-corrosion, has also enhanced the differentiation of services. The newly established funeral facilities have entered a period of rapid development, and the brand and service content have gradually been accepted by the local market which contributed more in terms of service volume and revenue, together with the overall acceleration of aging population, urbanization process and increased cremation rate in the local markets, which increased the margins of revenue.

During the Period, other services segment recorded an operating loss of RMB4.5 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 strategic segments. 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 Period consisted of interest expenses of RMB0.5 million (the same period of last year: RMB0.5 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities and other long-term liabilities of RMB2.1 million (the same period of last year: RMB1.6 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 Period mainly include interest income, government grants received, exchange gains and losses, changes in the value of financial assets at fair value, and etc. Among which, interest income and gains from unlisted cash management products during the Period amounted to RMB29.5 million, representing an increase of RMB7.4 million or 33.7% as compared to the same period of last year. Government grants received for the Period was RMB17.1 million, increased by RMB5.7 million or 50.0% compared to the same period of last year.

## 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 Period, income tax expenses recorded RMB280.0 million, representing a increase of RMB168.7 million or 151.7% as compared to the same period of last year. The increase is the combined effect of increased taxable income in line with the improved sales performance and the withholding tax of approximately RMB51.6 million accrued on the Period's profit attributable to the owners of the Company. Such withholding tax will be paid out only when relevant profits were remitted from domestic subsidiaries to Group's overseas intermediate holding company.

## PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

As mentioned above, our profit and total comprehensive income attributable to owners of the Company for the Period amounted to RMB464.7 million, representing a increase of RMB203.6 million or 78.0% as compared to the same period of last year.

## CASH FLOW

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

	<b>Six Months Ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Net cash generated from (used in)		
— operating activities	<b>784,142*</b>	242,672*
— investing activities	<b>(226,660)*</b>	276,394*
— financing activities	<b>(273,082)</b>	(234,328)
<b>Total</b>	<b><u>284,400</u></b>	<b><u>284,738</u></b>

\* 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 unaudited financial statements amounted to RMB667.4 million (the same period of last year: RMB240.5 million) and the net cash used in investing activities as disclosed in the unaudited financial statements amounted to RMB109.9 million (the same period of last year: net cash generated of RMB278.5 million). During the Period, an amount of RMB116.8 million (the same period of last year: RMB2.1 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. Our net cash generated from operating activities amounted to RMB784.1 million for the Period, representing an increase of RMB541.5 million or 223.1% as compared to the same period of last year, which was primarily due to the increase in revenue during the Period, maintaining our competitiveness as always in generating cash from our operating activities.

Our net cash used in investing activities amounted to RMB226.7 million during the Period. It was primarily due to: (i) net amount of payment of time deposits, entrusted loans and other financial assets of RMB277.4 million; (ii) payment of RMB116.8 million for the acquisition of cemetery lands; (iii) payment of RMB38.5 million for the acquisition of operating rights of subsidiaries, cemeteries and funeral parlors as well as other investments; (iv) payment for building new burial and funeral facilities and capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities, and construction expenditure of the operating system in total of RMB33.3 million; (v) payment of loan to non-controlling shareholders totaling RMB3.7 million; which were partially offset by: (vi) withdrawal of investment in equity fund totalling RMB158.3 million; (vii) repayment of loan from a third party in connection with acquisition of land of a cemetery project totaling RMB48.0 million; and (viii) the interests and gains from unlisted cash management products received of RMB23.5 million; (ix) land-related compensation received of RMB12.8 million.

Our net cash used in financing activities amounted to RMB273.1 million during the Period. It was primarily due to: (i) final dividends for 2022 paid to shareholders of the Company of RMB158.7 million; (ii) loan of RMB80.0 million to Yan'an Hongfu to enable it to pay back its loan to original shareholder; (iii) repayment of lease payment and other long-term liabilities of RMB17.5 million; (iv) dividends paid by subsidiaries to their non-controlling shareholders of RMB12.2 million; (v) repayment of non-controlling shareholders' loan of RMB4.4 million; and (vi) interest payment of approximately RMB0.2 million for borrowings.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at June 30, 2023, we had bank balances and cash of RMB2,226.6 million (December 31, 2022: RMB1,942.2 million), time deposits of RMB43.9 million (December 31, 2022: RMB33.5 million) and unlisted cash management products of RMB760.9 million (December 31, 2022: RMB487.9 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 0.10% to 3.80%. To support our expansion strategy, we hold a relatively high level of cash. In order to moderately increase capital returns, under the premise of ensuring safety and liquidity, we have allocated a part of treasury fund to short-term cash management products. Such products are issued and managed by state-owned banks and have clearly-specified expected return rates, maturity dates or are immediately redeemable. Even though the principals and return rates of such products are in theory and as stipulated, determined by reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, and not guaranteed by the issuing banks, they are secured in substance considering the features and historical performance of such products and present situation of bank system in the PRC. We internally regard our treasury fund put in such cash management products as part of our cash balance, however, from the accounting point of view, they are classified as the financial assets at fair value through profit or loss. In the foreseeable future, we expect to fund our capital expenditure, working capital and other capital requirements from the cash generated from our operations, bank borrowings, and other financing channels. The Board confirmed that the transactions in financial assets for the Period, on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at June 30, 2023, we did not have any outstanding bank borrowings.

In addition, we had RMB15.5 billion of comprehensive bank credit line as at June 30, 2023.

## **GEARING RATIO**

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as at June 30, 2023 was 0.4% (December 31, 2022: 0.5%). 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.

## **CURRENCY RISK**

The Group conducts its businesses in the PRC and its functional currency is RMB. However, certain bank balances are denominated in foreign currencies, which exposed the Group to foreign currency risk. As at June 30, 2023, the amount denominated in RMB, HK\$ and US\$ under the financial assets, time deposits, bank balances and cash accounted for 99.2%, 0.7% and 0.1%, respectively, of the total amount of these assets. We believe the current level of financial assets, time deposits, bank balances and certain payables denominated in foreign currencies expose us to a limited and manageable foreign currency risk. The management controls foreign currency risk by strictly managing the size of foreign currency risk exposure and closely observing the movement of foreign currency rates. We may, if necessary, hedge against foreign currency risk using financial instruments.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

In June 2023, the Group entered into an agreement to acquire 100% equity interest in Yan'an Hongfu for a consideration of approximately RMB41 million. Yan'an Hongfu is engaged in the provision of cemetery operation in Yan'an of Shaanxi Province. The acquisition was completed in June 2023.

## **SIGNIFICANT INVESTMENTS**

As at June 30, 2023, the Group did not hold any significant investments (December 31, 2022: Nil).

## **CHARGES ON ASSETS**

As at June 30, 2023, the Group did not have any charges over assets (December 31, 2022: Nil).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at June 30, 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 June 30, 2023, 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.

As at June 30, 2023, we had 2,432 full-time employees (December 31, 2022: 2,460 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 RMB14.4 million as at June 30, 2023.

### **CEMETERY LANDS AVAILABLE**

The saleable area for burial plots was approximately 2.60 million sq.m. as at June 30, 2023 (December 31, 2022: approximately 2.62 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 June 30, 2023, we had no contingent liabilities.

### **EVENTS AFTER THE REPORTING PERIOD**

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

## **PROSPECTS**

With the orderly recovery of consumption scene, and the continuous improvement of people's awareness of life culture, we are full of confidence in the future growth prospects of the industry. 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 aim to integrate Internet+ technology into various funeral business scenarios, enhancing the traditional death care industry. Our goal is to evolve into a comprehensive funeral and life technology service provider, delivering premium life services and culturally significant memorial experiences. We will adhere to our strategy of expansion, look for suitable growth opportunities, strive for external development and business chain perfecting, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share to cater for more people's need for high quality death care services. We will push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business, we will consolidate newly acquired businesses and raise their standards on a par with ours.

Meanwhile, we will strive to make our cremation machine business become an important segment of the Group's business. With much effort to promoting pre-need business with the pre-need contract business as the core and innovative ideas in our collaboration with local governments, we will strive to increase the percentage of our funeral services in the Group's business and the scale of professional design business, and foster the integration of the Internet to improve service contents and accessibility and formulate our plan for the business of death care related consumables. Last but not least, while promoting growth in various business segments, we will strive for a balance between short-term interest and long-term value, expand our business at a more steady and sustainable pace, and stay focused on managing Fu Shou Yuan, a living entity that carries memories and emotions, with a view to consistently rewarding our Shareholders with the best returns.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK9.06 cents per Share for the six months ended June 30, 2023. The interim dividend will be paid to the Shareholders on Friday, October 27, 2023. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, September 27, 2023.

## **CLOSURE OF THE REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the transfer books and register of members of the Company will be closed from Monday, September 25, 2023 to Wednesday, September 27, 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the interim dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, September 22, 2023.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Period.

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company recognizes the importance of corporate transparency and accountability. The Company is committed to achieving high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures. The Company has adopted the CG Code as its own code of corporate governance. The Board is of opinion that the Company has complied with the code provisions as set out in the CG Code throughout the Period.

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

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

## **REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE**

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

## PUBLICATION OF INTERIM RESULTS AND 2023 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsygroup.com). The interim report for the six months ended June 30, 2023 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

### DEFINITIONS

“ASP”	average unit selling price
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Changchun Huaxia Cemetery”	a cemetery in Changchun City of Jilin Province and operated by Changchun Huaxia Cemetery Co., Ltd.* (長春華夏陵園有限公司), a limited company established under the laws of the PRC
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company” or “Fu Shou Yuan”	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“ESG”	environmental, social and governance
“Fu Shou Cloud”	Shanghai Fu Shou Yun Life Information Technology Co. Ltd.* (上海福壽雲生命信息科技有限公司), a limited company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Group”, “our Group”, “us” or “we”	the Company and its subsidiaries

“Heze Fuluyuan”	Heze Fuluyuan Cemetery Management Co., Ltd.* (荷澤福祿源公墓管理有限公司), a limited company established under the laws of the PRC and a non-wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Period”	the six months ended June 30, 2023
“Restricted Share Incentive Scheme”	the restricted share incentive scheme adopted by the company with effect from November 29, 2019
“Restricted Shares”	any Share(s) that may be offered by the Company to any selected participant pursuant to the Restricted Share Incentive Scheme
“RMB”	Renminbi yuan, the lawful currency of the PRC
“same period of last year”	the six months ended June 30, 2022
“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
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Temshine”	Beijing Temshine Cemetery Group Ltd.* (北京天泉佳境陵園建築設計有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since August 2017
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“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
“%”	percent

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

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

Hong Kong, August 18, 2023

*As at the date of this announcement, the executive Directors are Mr. Bai Xiaojiang, Mr. Tan Leon Li-an and Mr. Wang Jisheng; the non-executive Directors are Mr. Lu Hesheng, Mr. Huang James Chih-Cheng and Ms. Zhou Lijie; and the independent non-executive Directors are Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin.*