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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

2023 ANNUAL RESULTS HIGHLIGHTS

- Total revenue for the Year amounted to approximately RMB2,628.0 million, representing an increase of approximately 21.0% when compared to that of Last Year.
- Profit and total comprehensive income attributable to owners of the Company for the Year amounted to approximately RMB791.2 million, representing an increase of approximately 20.1% when compared to that of Last Year.
- Basic earnings per Share for the Year amounted to approximately RMB34.8 cents, representing an increase of approximately 20.0% when compared to that of Last Year.
- The Board has recommended the payment of a final dividend of HK6.86 cents per Share and a special dividend of HK21.39 cents per Share for the Year.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2023 together with the comparative figures for Last year as set out below. The consolidated financial results are audited by the external auditor and have been reviewed by the Audit Committee.

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

FOR THE YEAR ENDED DECEMBER 31, 2023

		2023	2022
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	2,628,029	2,171,626
Operating expenditures			
Staff costs		(506,360)	(463,624)
Construction costs		(123,086)	(123,266)
Consumed materials and goods		(188,935)	(162,065)
Outsourced service costs		(62,160)	(55,417)
Marketing and sales channel costs		(48,899)	(43,155)
Depreciation and amortisation		(166,609)	(155,953)
Other general operating expenditures		(171,530)	(153,616)
Inventory changes		11,708	17,035
Impairment losses under expected credit loss model, net of reversal		41	(1,238)
Profit from operations		1,372,199	1,030,327
Other income, gains and losses		85,183	74,293
Share of loss of a joint venture		(18,436)	(7,407)
Finance costs		(7,392)	(5,008)
Profit before taxation	5	1,431,554	1,092,205
Income tax expense	6	(455,638)	(281,476)
Profit and total comprehensive income for the Year		975,916	810,729
Profit and total comprehensive income for the Year attributable to:			
Owners of the Company		791,240	658,596
Non-controlling interests		184,676	152,133
		975,916	810,729
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share			
— Basic	7	34.8	29.0
— Diluted	7	34.8	29.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets			
Property and equipment	8	556,232	571,861
Right-of-use assets		103,568	116,711
Investment property		6,509	6,509
Intangible assets		309,774	273,614
Goodwill	9	1,129,049	1,091,243
Financial assets at fair value through profit or loss ("FVTPL")	14	—	38,110
Deposits paid for acquisition of land as cemetery assets		21,963	29,117
Cemetery assets	10	2,074,652	1,930,650
Investment in an associate		3,000	750
Investment in a joint venture		42,184	132,960
Restricted deposits		89,424	81,394
Time deposits		200,000	—
Deferred tax assets	18	92,871	81,290
Other long-term assets		5,000	5,000
		4,634,226	4,359,209
Current assets			
Inventories	11	557,991	558,958
Trade and other receivables	12	222,383	423,116
Financial assets at fair value through profit or loss	14	776,501	487,883
Time deposits	15	167,746	33,467
Bank balances and cash	13	2,295,467	1,942,233
Contract assets		13,473	11,025
		4,033,561	3,456,682
Current liabilities			
Trade and other payables	16	658,344	699,530
Lease liabilities		23,156	25,239
Contract liabilities	17	105,808	96,456
Dividends payable		36,000	—
Loans from non-controlling shareholders of subsidiaries		29,438	32,958
Income tax liabilities		205,440	179,938
Borrowings		200,000	—
		1,258,186	1,034,121
Net current assets		2,775,375	2,422,561
Total assets less current liabilities		7,409,601	6,781,770

	<i>NOTES</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		29,215	39,464
Contract liabilities	17	494,434	456,237
Deferred tax liabilities	18	216,137	134,215
Other long-term liabilities		95,951	37,850
		<u>835,737</u>	<u>667,766</u>
Net assets		<u>6,573,864</u>	<u>6,114,004</u>
Capital and reserves			
Share capital		142,148	142,148
Reserves		5,777,907	5,333,610
		<u>5,920,055</u>	<u>5,475,758</u>
Equity attributable to owners of the Company		653,809	638,246
Non-controlling interests		<u>6,573,864</u>	<u>6,114,004</u>
Total equity		<u>6,573,864</u>	<u>6,114,004</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Revenue recognition

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

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

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

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

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

4. REVENUE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Burial services	2,165,253	1,748,898
Funeral services	397,886	359,427
Other services	78,542	87,629
Inter-segments elimination	<u>(13,652)</u>	<u>(24,328)</u>
	<u>2,628,029</u>	<u>2,171,626</u>

Geographical information:

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Shanghai	1,262,184	964,745
Liaoning	188,694	152,228
Anhui	166,869	193,146
Henan	164,076	92,179
Shandong	120,097	127,442
Jiangsu	117,547	101,940
Jiangxi	106,804	104,226
Heilongjiang	97,269	83,056
Chongqing	85,853	94,043
Fujian	64,670	53,302
Guizhou	59,754	53,041
Zhejiang	56,900	44,634
Gansu	28,279	13,447
Guangxi	20,887	13,279
Inner Mongolia	19,915	16,291
Shaanxi	1,696	—
Hubei	<u>1,645</u>	<u>1,326</u>
	<u>2,563,139</u>	<u>2,108,325</u>

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Staff costs, including remuneration of the Directors:		
Salaries, wages, bonus and other benefits	472,366	425,967
Retirement benefits scheme contributions	<u>33,994</u>	<u>37,657</u>
Total staff costs	<u>506,360</u>	<u>463,624</u>
Depreciation of property and equipment	56,872	52,305
Depreciation of right-of-use assets	19,944	24,122
Amortization of intangible assets	18,730	15,299
Amortization of cemetery assets	<u>71,063</u>	<u>64,227</u>

6. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC Enterprise Income Tax (“PRC EIT”)		
Current year	384,823	293,089
Under (Over) provision in prior years	474	(2,396)
Deferred tax	<u>70,341</u>	<u>(9,217)</u>
	<u>455,638</u>	<u>281,476</u>

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:

	2023	2022
Earnings		
Earnings for the purpose of basic and diluted earnings per share (<i>RMB'000</i>)	<u>791,240</u>	<u>658,596</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,271,063,422	2,271,451,099
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>2,271,063,422</u>	<u>2,271,451,099</u>

8. PROPERTY AND EQUIPMENT

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Buildings	361,955	359,215
Leasehold improvements	7,393	9,030
Furniture, fixtures and equipment	45,406	51,630
Motor vehicles	20,501	14,748
Construction in progress	120,977	137,238
	<u>556,232</u>	<u>571,861</u>

9. GOODWILL

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Haigang Fu Shou Yuan	9,595	9,595
Jinzhou Maoshan Anling	3,738	3,738
Henan Fu Shou Yuan	14,769	14,769
Chongqing Baitayuan	47,458	47,458
Meilin Century Cemetery	18,899	18,899
Guanlingshan Cultural Cemetery	47,245	47,245
Wuyuan Wanshoushan Cemetery	36,107	36,107
Anyang Tianshouyuan Cemetery	2,425	2,425
Changzhou Qifengshan Cemetery	87,425	87,425
Zaozhuang Shanting Xingtai	22,973	22,973
Luoyang Xianhe Cemetery	23,451	23,451
Temshine	23,433	23,433
Guangxi Huazuyuan Cemetery	22,756	22,756
Chaoyang Longshan Cemetery	12,903	12,903
Guizhou Tianyuanshan	19,123	19,123
Helinge'er Anyou Cemetery	35,721	35,721
Hubei Tiansheng Cemetery	13,560	13,560
Jinsha Fuze	66,176	66,176
Harbin Mingxiyuan Cemetery	352,880	352,880
Anhui Longmen Cemetery	90,673	90,673
Heze Fuluyuan	101,226	101,226
Zhengzhou Anletang	1,113	1,113
Zhuolu Yuanbaoshan	37,594	37,594
Yan'an Hongfu	37,806	—
	<u>1,129,049</u>	<u>1,091,243</u>

10. CEMETERY ASSETS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Land costs	1,411,570	1,286,573
Landscape facilities	264,452	283,612
Development costs	<u>398,630</u>	<u>360,465</u>
	<u><u>2,074,652</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, bridges, etc. 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Burial plots	415,344	407,299
Tombstone	90,308	99,744
Others	<u>52,339</u>	<u>51,915</u>
	<u><u>557,991</u></u>	<u><u>558,958</u></u>

12. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	144,131	142,934
Less: Allowance for credit losses	<u>(5,018)</u>	<u>(5,059)</u>
	<u>139,113</u>	<u>137,875</u>
Other receivables comprise:		
Prepayments and rental deposits on properties	2,938	2,435
Other service receivables	—	6,000
Staff advances	757	1,212
Receivables from liquidation of a partnership (<i>Note</i>)	—	190,000
Deposits for new projects	6,865	6,773
Prepayments to suppliers	13,913	7,290
Interest receivables	3,129	263
Receivables from disposal of equity investment	30,861	—
Loans to third parties in connection with cemetery projects	12,192	60,192
Others	<u>12,615</u>	<u>11,076</u>
	<u>222,383</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. As at December 31, 2023, RMB300,000,000 has been fully received in accordance with the relevant agreements.

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	71,594	91,255
Over one year but less than two years	36,759	41,944
Over two years but less than three years	29,292	2,810
Over three years	<u>1,468</u>	<u>1,866</u>
	<u>139,113</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\$, US Dollar (“US\$”) and Japanese Yen (JPY) carry variable-rate interest as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest rate per annum		
— RMB	0.20%–2.03%	0.20%–2.03%
— HK\$	0.01%	0.01%
— US\$	0.05%	0.05%
— JPY	0.0001%	—

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
HK\$	46,280	21,478
US\$	2,270	1,075
JPY	5,921	—
	<u>54,471</u>	<u>22,553</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Unlisted cash management products	776,501	487,883
Equity investment	—	38,110
	<u>776,501</u>	<u>525,993</u>

During the Year, 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 December 31, 2023 are as follows:

Bank	Name of products (Note 1)	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal- guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈一 號)	RMB	91,202	Redeemable on call after 1 work day on work day	2.37%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (天添利普惠計劃)	RMB	147,934	Redeemable on call after 1 work day on work day	2.19%	N
Shanghai Pudong Development Bank	Gong Si Tian Li (公司添利 23JG5171期)	RMB	30,277	February 2, 2024 (Note 2)	0.10% or 3.70%	Y
Subtotal		RMB	<u>269,413</u>			
Bank of Shanghai	Yi Jing Ling (易精靈)	RMB	50,000	Redeemable on call after 1 work day on work day	1.95%	N
Subtotal		RMB	<u>50,000</u>			
Shanghai Rural Commercial Bank	Ji Ji Xin Li (公司款季季鑫利 三個月定開)	RMB	35,206	Redeemable on call after 90 work days on work day	2.45%~ 3.35%	N
Shanghai Rural Commercial Bank	Tian Tian Ying (天天盈C款)	RMB	31,109	Redeemable on call after 1 work day on work day	2.18%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利19026期)	RMB	30,057	Redeemable on call after 180 work days on work day	2.65%~ 3.55%	N
Subtotal		RMB	<u>96,372</u>			
China Industrial Bank	Jin Xue Qiu Wen Li Ji Ji Feng (金雪球穩利季季豐)	RMB	101,737	March 2, 2024	3.00%~ 3.50%	N
China Industrial Bank	Jin Xue Qiu Wen Li Lu Lu Fa (金雪球穩利陸陸發)	RMB	101,696	June 2, 2024	3.30%~ 3.80%	N
Subtotal		RMB	<u>203,433</u>			
China Construction Bank	Heng Ying Fa Ren Ban (恒贏 法人版)	RMB	157,283	Redeemable on call after 1 work day on work day	2.04%	N
Subtotal		RMB	<u>157,283</u>			
Total		RMB	<u>776,501</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 workday after the 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 December 2023, Shanghai Fu Shou Yuan entered into an agreement with the controlling shareholder of Changchun Huaxia Cemetery to dispose of its entire equity interest in Changchun Huaxia Cemetery for a total consideration of RMB30,861,000. Therefore, as at December 31, 2023, the equity investment in Changchun Huaxia Cemetery was derecognized and the above-mentioned consideration was subsequently fully received in January 2024.

15. TIME DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Time deposits	<u>367,746</u>	<u>33,467</u>

As at December 31, 2023, the Group had fixed-term deposits of RMB367,746,000 in banks with maturity of six months to three years and fixed interest rates ranging from 1.50% to 5.47% per annum (December 31, 2022: 0.80% to 3.74% per annum).

16. TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>306,832</u>	<u>308,552</u>
Other payables comprise:		
Advances and deposits from customers	20,334	21,961
Payables for acquisition of property and equipment	604	354
Salary, welfare and bonus payables	152,551	155,339
Other accrued expenses	45,350	55,381
Consideration payables for acquisition of subsidiaries	31,773	71,946
Consideration payables for acquisition of non-controlling interests	—	3,936
Reimbursed payables due to third parties	43,377	43,377
Others	<u>57,523</u>	<u>38,684</u>
	<u>658,344</u>	<u>699,530</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0–90 days	89,307	96,462
91–180 days	25,971	27,746
181–365 days	50,117	35,670
Over 365 days	141,437	148,674
	<u>306,832</u>	<u>308,552</u>

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

17. CONTRACT LIABILITIES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cemetery maintenance services	551,800	509,523
Sales of pre-need contracts	48,442	43,170
	<u>600,242</u>	<u>552,693</u>

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 estimates based on the predicted 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 contract liability is recognised when the pre-need contract is entered into and the payment is received, and is derecognised when the funeral service is offered.

18. DEFERRED TAXATION

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Contract liabilities and loss allowance	72,682	61,444
Undistributed profits to be remitted from domestic subsidiaries to Group's overseas intermediate holding company	(87,357)	—
Unused tax losses	16,883	17,817
Fair value adjustments	(126,770)	(132,186)
Right-of-use assets	(11,796)	(15,698)
Lease liabilities	13,092	15,698
	<u>(123,266)</u>	<u>(52,925)</u>

19. DIVIDENDS

During the Year, the Company has declared and paid the final dividend of HK7.58 cents per Share for 2022 and the interim dividend of HK9.06 cents per share for 2023, amounting to approximately RMB355.0 million in total.

On March 22, 2024, a final dividend for 2023 of HK6.86 cents per Share and a special dividend of HK21.39 cents per Share were recommended by the Board. The final dividend is subject to the approval of shareholders at the forthcoming AGM.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement. The Company's auditor has reported on the consolidated financial statements of the Group for the year ended December 31, 2023. The auditor's report is unqualified and does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

CHAIRMAN’S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the Group’s results of 2023 to all shareholders for review.

In 2023, the global economic environment continued to grapple with complex and rapidly changing challenges. Uncertainty surrounding inflation and interest rates, geopolitical instability, and a widespread slowdown in economic growth persisted, exerting pressure on the global economic recovery. However, against this backdrop, the Chinese economy displayed remarkable resilience, with an overall improvement in consumer confidence. In particular, aided by supportive policies, the digital economy and green economy emerged as new sources of growth, presenting fresh opportunities for development across different sectors.

As a leading funeral and life technology service provider in China, Fu Shou Yuan has always been at the forefront of industry innovation. With the immense demand and market prospects in the funeral and life service sector, Fu Shou Yuan have pioneered new dynamics in the death care industry by altering traditional funeral concepts and incorporating technological elements. We have developed new productive forces in the funeral industry, relying on leading operational concepts, multi-engine driving, and expansion strategies, thereby meeting the diverse and differentiated needs of customers, especially in spiritual perspective.

In 2023, the Group’s operating results continued to maintain a steady growth momentum, with significant increase in revenue and net profit, which not only demonstrated the market resilience of Fu Shou Yuan, but also reflected the Group’s achievements from ongoing innovation and service optimization. During the Year, the Group recorded revenue of RMB2,628.0 million, an increase of 21.0% as compared to 2022, and achieved a net profit of RMB975.9 million, representing a year-on-year growth of 20.4%. Profit and comprehensive income attributable to Shareholders also grew by 20.1%, reaching RMB791.2 million. The Board proposes a final dividend of HK6.86 cents per Share and a special dividend of HK21.39 cents per Share to the Shareholders. Together with the interim dividend of HK9.06 cents per Share, the total dividend for the whole year is HK37.31 cents per Share. Based on the confident expectations of the Group’s future development prospects, in addition to the established continuous and stable dividend mechanism, the Board proposes a special dividend this year to better return shareholders for their long-standing support.

Fu Shou Yuan has consistently supported the national initiatives of digital economy development. At the 9th China International Funeral Equipment & Supplies Expo and Industry Conference held in June 2023, it officially announced its transition to become a “leading funeral and life technology service provider in China”, and unveiled the innovative and iterative “3JI” products, which integrate monument, memorial and heritage, offering enhanced emotional value, technological services and meaningful assets. The Group’s “Digital Transformation and 3JI Product Launch Project” was recently

recognized as a “prominent communication case of enterprises in 2023” at the China Economic Media Integration Development Summit Forum, garnering significant attention from the industry and highlighting its pioneering role.

Fu Shou Yuan is committed to leading the industry’s development, pushing the industry towards more compliant and standardized operations. On December 22, 2023, the first national group standard applicable to multiple fields, the “General Rules for Social Workers of Funeral Services”, were officially released. These rules were proposed by and under administration of the Shanghai Qingpu District Funeral Association and jointly released by the School of Sociology and Political Science at Shanghai University, Li Ji Continuing Education Academy (上海青浦禮濟進修學院) (the “**Li Ji Academy**”) and the Shanghai Fu Shou Yuan Public Welfare Development Foundation under Fu Shou Yuan International Group. It will be first implemented as a pilot project in 12 cooperating elderly care and medical institutions, gradually expanding its implementation in subsequent phases. Since then, the funeral social work in China can be standardized with clear guidelines and references, thus laying the foundation for improving service quality, strengthening the talent pool, and fostering high-quality industry development.

Fu Shou Yuan not only focuses on compliant operation of the industry, but also takes cultural inheritance as its own responsibility and mission. In March 2023, Fu Shou Yuan established the Li Ji Academy, which was officially approved as a non-degree higher education institution, with the aim of becoming a business school, industry school, social school, and international school in the industry. In December 2023, Fu Shou Yuan, together with 246 entities including Shanghai University, Beijing College of Social Administration (Ministry of Civil Affairs Management Cadre Institute), and general and vocational colleges in the industry, formed a national integration community of production and education in the funeral industry, building a cultural exchange and education ecosystem for the funeral industry. The Li Ji Academy and the integration community of production and education not only consolidate professional resources within the industry, but also attract experts and scholars from different fields to jointly explore the development path of the funeral industry.

In terms of international cooperation, the Group achieved the “International Funeral Service Innovation Award” during the Year and has organized funeral service seminars and cultural exchange activities in various countries and regions worldwide. The Group has also signed cooperation agreements with leading funeral enterprises in Europe to jointly promote research on environmentally friendly burial methods. Additionally, it has established new partnerships in the North American market, significantly enhancing the Group’s international influence and brand reputation.

During the Year, Fu Shou Yuan actively expanded its footprint in philanthropic endeavors. Under the umbrella of the Group, the second “Fu Shou Yuan Public Welfare Festival” was successfully held at Liaoning Guanlingshan Cultural Landscape Cemetery, attracting over 300 participants. The event introduced eight major public welfare projects, including the “Family Hospice Program” (家庭病末安寧計劃), the “\$1,000 Posthumous

Care” (千元身後事) project, “Public Welfare Pre-Need Contracts of Hospice Care For A Plentiful Life” (「福壽康寧圓滿人生」公益生前契約), and “Posthumous Care for special groups” (特殊群體續愛安「家」) Furthermore, the festival showcased Fu Shou Yuan’s public welfare IPs, namely “A Xiang” and “A Fu”, and conducted charity sales of relevant merchandise, and the proceeds from the sales will be entirely dedicated to the “Family Hospice Program”. We consistently uphold the principles of respecting life and embracing humanistic values in our business development. By organizing ongoing public welfare activities, we strive to create a compassionate public welfare ecosystem for the community, and contribute to promoting education for the betterment of lives, fostering ecological harmony, and cultivating a more fulfilling existence. In addition, we have launched the “Fu Shou Yuan Care Foundation” to provide funding for various community health and education projects, aiming to enhance the well-being of the community and support the development of the next generation. We also place special emphasis on supporting vulnerable groups, such as providing educational assistance to children in impoverished areas and delivering much-needed humanitarian aid to disaster-stricken regions. These actions exemplify our profound understanding of and commitment to social responsibility.

Fu Shou Yuan is dedicated to fulfilling its corporate, social, industry, historical, and public responsibilities, while also constructing a compassionate and caring system for life services. In recent years, we have been committed to establishing ourselves as a leading ESG exemplar in the industry, and in 2023, the Group achieved various remarkable milestones in the ESG aspect. In June 2023, Fu Shou Yuan was granted the “2023 Green and Sustainable Development Contribution Award” by syobserve.com and gongyidaily.com. In November 2023, we received the “2023 ESG Pioneer Listed Company Award” by The Time Weekly. In December 2023, at the 8th Zhitong Finance Capital Market Annual Conference and Listed Company Awards Ceremony co-hosted by Zhitong Finance and RoyalFlush, we were honoured with the “2023 Golden Hong Kong Stock Award”. These accolades thoroughly demonstrate Fu Shou Yuan’s leading position and exceptional performance in the ESG field. Fu Shou Yuan has always integrated the ESG concept into its business operations, actively promoting the organic integration of ecological, social, and economic benefits to achieve high-quality sustainable development.

In the future, Fu Shou Yuan will further enhance its corporate governance practices and steadfastly pursue its sustainable development strategy and philosophy. With regards to the environmental aspect, Fu Shou Yuan will continue to prioritize green and environmentally-friendly principles across all aspects of its operations, and promote low carbon, low energy-consuming and highly efficient operation, thereby contributing to ecological harmony and the green and sustainable growth of the industry. In social aspect, Fu Shou Yuan will persistently innovate and optimize its products, while preserving the culture of the city, in order to continuously strive towards fulfilling people’s aspirations for a better life. These recognitions and unwavering commitments effectively showcase the Group’s exceptional achievements in the ESG field and its resolute dedication to sustainable development.

As we commemorate the 10th anniversary of the listing of Fu Shou Yuan International Group in 2023, we reflect on the past decade and acknowledge our significant achievements in the funeral service industry, earning honours and respect from our global peers. We take immense pride in these accomplishments, but we remain committed to progress. Currently, we are undergoing a transformation from an industry-leading comprehensive funeral service provider to a comprehensive life service operator. Looking forward, Fu Shou Yuan International Group will continue to prioritize a people-centric service philosophy, constantly enhance service quality and strive for excellence. We will adhere to the service tenet of “respecting life and warming hearts”, and uphold the entrepreneurial spirit of “innovation, responsibility and win-win cooperation” to continuously promote digital transformation, enhance service efficiency and quality, satisfy the growing needs of our customers, strive for better performance, improve the mechanism of consistent and stable high returns to investors, and share the fruits of our business development with all 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 the future development of people's livelihood in China. 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's new urbanization has been progressing steadily with rising urbanization rate. According to the documents published by the National Bureau of Statistics of China, as of the end of 2023, China's resident population in urban areas reached 932.67 million, representing an increase of 11.96 million compared to the end of 2022, while the urbanization rate was 66.16%, representing an increase of 0.94 percentage points compared to the year of 2022. China's urbanization rate has increased by an average of 0.93 percentage points annually over the past five years, with more than 10 million rural residents moving into urban areas every year. The steady increase in the level of urbanization will give rise to a wide range of demands from the new urban population in various areas such as infrastructure, healthcare and consumption. At the same time, the number of China's aging population has further heightened. At the end of 2023, the number of people aged 60 and above reached 296.97 million, accounting for 21.1% of the total population. The number increased by 16.93 million compared to the end of 2022, representing a rise of 1.3 percentage points in its proportion to the overall population. During the 14th Five-Year Plan Period, the population born in the second birth peak in the 1960s are successively entering 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 recent years. 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.

In 2023, China maintained stable economic growth rate while gradually shifting the focus of its economic growth to high-quality development. With the optimization and upgrading of economic structure and the continuous expansion of digital application scenarios, consumption potential continued to be unlocked and service consumption expenditure grew rapidly. According to the statistics released by the National Bureau of Statistics of China, China's GDP amounted to RMB126,058.2 billion in 2023, representing a year-on-year increase of 5.2% if calculated at constant prices. The disposable income per capita of urban residents was RMB51,821, representing a

year-on-year growth of 5.1% in nominal terms and a growth of 4.8% in real terms after factoring in price levels compared to 2022. The consumption expenditure per capita of urban residents was RMB32,994, representing a year-on-year growth of 8.6% in nominal terms and a growth of 8.3% in real terms compared to 2022. The service consumption expenditure per capita of residents increased by 14.4%, accounting for 45.2% of residents' per capita consumption expenditure, 2 percentage points higher than that of the previous year. With the improvement of people's living standards and the steady growth of their income, the trend of upgrading residents' consumption structure in China has not changed, with constant emergence of consumption highlights such as digital consumption, green consumption and healthy consumption, demonstrating that the residents' demand for quality continues to increase, the concept of green and environmental protection becomes more popular, and the desire for service consumption remains strong. As a humanized funeral service provider, 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 contents 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 death care service facilities in addressing their weaknesses and practically improve the standard of governance in the death care service sector, while further regulating and strengthening the management of death care services, standardizing the business conduct of death care intermediaries and service providers, and establishing a sound and comprehensive regulatory mechanism. In February 2023, during a standardization working session, the National Funeral Standardization Technical Committee proposed to resolve the shortcomings and weaknesses in work for death care service (especially those concerning system regulation) through standardization, and to promote the transformation of funeral activities from focusing on material and form to essence and implications. In November 2023, the Ministry of Civil Affairs issued the Notice of the General Office of the Ministry of Civil Affairs on Publishing of the Plan for the Construction of Civil Affairs Laws and Regulations (2023–2027) (《民政部辦公廳關於印發〈民政法規制度建設規劃(2023–2027年)〉的通知》), which set out specific improvement measures on death care service system to promote formulation of policies in strengthening and enhancing death care service management, and initiating studies on legislation for death care regime in a timely manner. In particular, the Regulations on Funeral and Interment Control (《殯葬管理條例》) has been included in the legislative work plan of the Ministry of Civil Affairs and its revision is being actively promoted. The revision of the Regulations on Funeral and Interment Control will deepen the death

care reform, improve the death care service system, and help rectify the chaos in the industry. It further standardizes death care behaviors, strengthens the provision of legal protection in death care management, promotes the market-oriented and standardized development of the industry, and ultimately achieves the long-term healthy growth of China's death care service industry. 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, 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, millions of 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 practices to modern formats. “Internet + death care” empowers death care services with information technology. It is accelerating the standardization of death care services and boosting the high-quality development of death care services. In November 2023, the “Exchange Conference on Digital Technology Empowerment — Promoting High Quality Development of Death Care Services” hosted by China Funeral Association was held in Nanjing, China, during which a range of digitalized death care services (such as digital ancestral shrine, virtual memorial service and eternal photo frame) were showcased. Such digitalized services simulate the information and image of the deceased into a virtual form, providing new funeral service content and scenarios that transcend time and geographical boundaries to satisfy diversified and differentiated service needs. “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 has entered a new era, people’s demands have been 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 multi-layered social service security system, led by the government with contribution from the society, has been established to stimulate the vitality of market entities and direct social energy towards livelihood service security in an orderly manner, thereby proactively advancing the structural reform of the supply side of death care services. It secures the basic livelihood requirements and satisfies the public’s demand for multi-layered and diversified death care services at the same time. These driving factors are set to boost the in-depth and stable development of the death care service industry in China.

Business Review

With the economy and society resuming to 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 2023, the country’s GDP reached RMB126,058.2 billion, representing a year-on-year growth of 5.2% on a constant price basis, with the overall economy showing a stable and recovering trend.

During the Year, 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, Fu Shou Yuan has been taking the pulse of the times, with insight into market dynamics to meet the demand for better funeral services in the community. On one hand, we have made prompt arrangements, accurately analyzing and capturing customers' pain points and demands, striving to improve product quality and the culture embraced, while developing and upgrading responsive products and services. On the other hand, relying on advanced business concepts and technological initiatives, we have unfolded the perfect combination of traditional funeral services and modern technology, and continued to strengthen our implementation and exploration in the areas of Cloud Memorial, digital cemetery and digital assets. We will never be 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. We have launched the first batch of "3JI" products in Shanghai, Zhengzhou of Henan province respectively 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, which have received good customer feedback. In terms of monument, we utilized the design concepts of modern gardens and the unique style of natural aesthetics to develop a modern garden series, depicting a picture of life and creating a beautiful space for the departed to rest and the living to share. In addition, the national aesthetic series that utilizes the original flavor of materials to showcase the charm of Chinese style, and the Zen landscape series that focuses on the beauty of imagination through landscape and culture on top of the form are also presented in our cemeteries across the country to enrich customer experience. 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. During the Year, we developed an intelligent cemetery management system with versatile functions covering engineering construction to property management, and from green maintenance to plant protection management, etc., which

has been put into use across the Group to empower management. In addition, in order to implement the national dual-carbon strategy and fulfill its corporate and industry responsibilities, Shanghai Fu Shou Yuan has launched a “carbon footprint” assessment of the tombstone products it purchases, in the hope that by evaluating the carbon emissions generated by each tomb, it can deduce the carbon emission value of tombstone products in the entire Group and the entire industry for each year. This will reduce energy consumption, enhance energy efficiency and promote sustainable development of enterprises, with a view to promoting high-quality economic development and realizing harmonious coexistence between human beings and nature.

During the Year, the EPC model of Temshine, a wholly-owned subsidiary of the Group, 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 the 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. It has made significant contribution to the cost optimization and process enhancement of the entire Group’s engineering projects. 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 during the Year, demonstrating good business competitiveness. The design works of Temshine have not only been repeatedly recognised as model units in China, but also won the Gold Novum Design Award (NDA) in France, the gold award at the MUSE Design Awards in the US, and the silver award at the London Design Awards during the Year. The excellent works have demonstrated the aesthetic concept of Chinese life design on the international stage. Further, the design business conducted preliminary cooperation 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 Year, 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, body 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. In the 11th National Industry-wide Vocational Skills Competition, we won awards in both the categories of ‘funeral director’ and ‘embalmer’. We also established four training bases for cremation, embalming, floral arranging and body SPA, and introduced 3D printing technology to further lay the groundwork for service upgrade. 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 Year, 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. 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), we showcased a “digital person” with AI communication function, the first of its kind in the industry, which has received wide attention from the industry. During the Year, our online memorial products series (version 5.0) had been officially launched, which paid more attention to customer experience. We also applied digital human technology to certain specific sessions such as burial and farewell ceremonies. While enhancing the technological sense of traditional ceremonies, it was widely recognized by users, and we believe that new types of farewell and burial ceremonies featuring digital human and other technologies will see significant growth in the future. In this year’s Qingming Festival, each of the rates of users’ retention, active users and paying users for our Cloud Memorial registered continuous rise, indicating that, after three years of use, users have begun to get accustomed to carrying out worship and commemoration with Cloud Memorial. For this year’s winter solstice, we released the digital ancestral shrine products. Through 3D spatial design and display, the life experience, images, videos and items of commemorative significance of the user could be displayed completely in a space of online ancestral shrine. We further introduced a family tree feature, a digital tool that helps achieve cultural inheritance and continuity of family. Later on, we intend to explore, on the basis of these services, the AI and AIGC technologies-enabled communication and interaction between a deceased person and his/her surviving family members.

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 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 Year, people have gained a deeper understanding of life, which led to a continued growth of the pre-need contract business with a total of 17,707 signed contracts, representing an increase of 5.7% compared to last year (2022: 16,759

contracts). At the users' end, we communicated with the public on life planning topics in a way that could enhance their acceptance, such as life-themed board games, and a practical handbook "The Life" (生命手杖書). We continued to secure business cooperation with elderly care institutions, communities, the Red Cross, the aid station and retirement council, etc. on a number of occasions, thereby helping to support people's livelihood. Bearing in mind people's service needs concerning the final phase of life, we developed a wide range of professional support services such as hospice care and grief counseling, amongst others. Moreover, we continued to 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 Year, 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 aftersales repair and maintenance. During the Year, 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 Year, 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. It is also the Group's first strategic foothold in Shaanxi Province. 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. At the same time, the Group has maintained a good momentum in the expansion of new projects, with new project companies established in Tianjin and Zhaoqing City, Guangdong Province, and investment in a project company located in Qiandongnan Prefecture, Guizhou Province, vigorously promoting the investment, construction and operation of new projects and fueling continuous growth impetus for the Group's future development. During the Year, the Group established a joint venture in Shenyang with our partner to develop value-added and innovative funeral service business. This project is the Group's first 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. The Group has also signed an Investment Cooperation Agreement in Changzhou City, Jiangsu Province, where it will invest and operate life care service projects related to funeral business, which will in turn form an integrated business linkage with our existing cemetery projects in Changzhou. As of now, our footprint covers over 40 cities in 19 provinces, autonomous regions and municipalities in China, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu, Hubei, Hebei and Shaanxi, which 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 Year, 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 for the industry by incorporating an international vision into the current situation and trend of China's death care service sector as well as continuously empowering the industry with knowledge, innovation and talent incubation. In April 2023, upon approval by the Education Bureau, we also established the Li Ji Academy, the first vocational education institution for death care service industry in the country with the qualification of a non-academic higher education institution. The Fu Shou Yuan Life Service Academy and the Li Ji Academy are committed to establishing the industry's humanity school, industrial school, social science school and international school. During

the Year, a total of 22 sessions were organized for various educational training at the “humanity school” level. While at the “industrial school” level, we organized 11 sessions for industrial and institutional exchange and 8 industrial lectures in Shanghai, Beijing, Qingdao, Hefei, Hangzhou, Changsha and Chongqing, respectively, and took the lead in the joint establishment of an “Industry-education Integrated Unit of National Funeral Industry (全國殯葬行業產教融合共同體)” with Shanghai University and Beijing College of Social Administration, which won the “Dual 100 Typical Cases of University-Enterprise Co-operation of China Association of Higher Education (中國高等教育學會校企合作雙百典型案例)”. At the “social school” level, we continued to provide life education to the general public by participating in 2 seminars on life education during the Year. Besides we participated in the draft and publication of the group standard on “General Rules for Social Workers of Funeral Services” (《殯葬社會工作者服務通則》) with Shanghai University, East China Normal University, the Shanghai Funeral and Interment Cultural Research Institute (上海殯葬文化研究所), Tianjin Medical University, Shanghai Qingpu Civil Affairs Bureau (上海市青浦區民政局), Shanghai Qingpu Funeral Parlour (上海市青浦區殯儀館), the Shanghai Elderly Service Trade Association (上海市養老服務行業協會), the Shanghai Funeral Trade Association (上海市殯葬行業協會), the Shanghai Qingpu Elderly Service Association (上海市青浦區養老服務協會), Fudan University Shanghai Cancer Center and the Shanghai Putuo Liqun Hospital (上海市普陀區利群醫院), etc. At the “international school” level, by adhering to the strategic policy of “going global and bringing in” and in line with the strategic direction of internationalization, we organized four rounds of international exchange visits to the United States, Japan and Australia respectively. Through the visits to the ICCFA Annual Conference and Expo in the United States, the American Funeral Directors Association (NFDA) Annual Conference and Expo, Tokyo Funeral Expo in Japan, 34th Annual Meeting of the Asian-Australian Cemetery and Cremation Association (ACCA), Springvale Cemetery in Australia, we widened our international horizon. Meanwhile we worked with the National Funeral Directors Association (NFDA) in the United States and Okuribito Academy to introduce training programs such as the “International Memorial Arranger Training in Asia”, and “New Culture of Funeral in Asia” studies, respectively, with a view to establishing a sound and globally-recognised training certification system as well as enhancing the professional standards of industry practitioners for the sake of aligning with international advanced standard. As always, the Li Ji Academy is committed to shouldering its responsibilities for the industry by incorporating an international vision into the current situation and trend of China’s death care service sector as well as continuously empowering the industry with knowledge, innovation and talent incubation.

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 from a “1.0 Cemetery” to a “2.0 Humanities Memorial Park”, then to a “3.0 Life Park”, and finally

as a “4.0 Technological-based Cultural Enterprise” that passes on spiritual heritages. During the Year, about 65,000 media reports related to Fu Shou Yuan were recorded across the Internet, representing a year-on-year increase of 40%. 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 third batch of Quality-Oriented Education Premium Programs 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 programs and included in the catalogue of the “Off-Campus Experiential Courses” on the platform. 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. In the same month, 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. With the second “Fu Shou Yuan Public Welfare Festival” as a platform, Shanghai Fu Shou Yuan Public Welfare Development Foundation, together with Liaoning Guanlingshan Cultural Landscape, jointly released eight public welfare projects in September 2023, such as “Family Hospice Program” (家庭病末安寧計劃), “1,000 Posthumous Care” (千元身後事), “Public Welfare Pre-Need Contracts of Hospice Care For A Plentiful Life” (「福壽康寧圓滿人生」公益生前契約), and “Posthumous Care for special groups” (特殊群體續愛安「家」), which comprehensively constructed a public welfare landscape for the benefit of people, such as hospice care services, public welfare pre-need contracts, public welfare

wills, public welfare land-saving burials, and Ching Ming common sacrifice. Fu Shou Yuan carried out public welfare donation activities in various regions, including donating to Yunnan to help rural revitalization, and continued to provide scholarships and awards to funeral-related vocational colleges and universities, as well as created the “Flower of Life” Scholarship for Peking University Institute for Medical Humanities. 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, “2023 Typical Communication Case of Enterprises” (2023年企業典型傳播案例), “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, “2023 Sustainability Contribution Award” (2023綠色可持續發展貢獻獎) in the International Green Zero-carbon Festival, “Shanghai Outstanding Project of Volunteer Service in Civil Affairs” (上海市民政領域志願服務優秀項目), “Digital Influential Enterprise of the Year” (年度數字化影響力企業) at the International Science and Innovation Festival, “Golden Begonia Award” (金海棠獎) at the 10th Asian Microfilm Art Festival, and “Annual Education Public Welfare Contribution Award” (年度教育公益貢獻獎) at the China Public Welfare 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 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 Year. The Group recorded a total revenue of RMB2,628.0 million, representing an increase of approximately 21.0% compared to Last Year. Profit and comprehensive income attributable to the owners of the Company amounted to RMB791.2 million, representing an increase of approximately 20.1% compared to Last Year.

REVENUE

During the Year, our revenue increased by RMB456.4 million or 21.0% to RMB2,628.0 million from RMB2,171.6 million of Last Year. We derive our revenue primarily from three business segments: burial services, funeral services and other services. The following table sets forth our revenue by segment for the Year:

	2023		2022	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Burial services	2,165,253	82.4%	1,748,898	80.5%
Funeral services	397,886	15.1%	359,427	16.6%
Other services	78,542	3.0%	87,629	4.0%
Inter-segment elimination	<u>(13,652)</u>	<u>(0.5%)</u>	<u>(24,328)</u>	<u>(1.1%)</u>
Total	<u>2,628,029</u>	<u>100.0%</u>	<u>2,171,626</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 Year:

	2023		2022	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	16,385	1,958,344	13,254	1,563,023
Public welfare plots and tomb relocation	<u>2,393</u>	<u>7,011</u>	<u>8,868</u>	<u>25,480</u>
	<u>18,778</u>	<u>1,965,355</u>	<u>22,122</u>	<u>1,588,503</u>
Other burial services		<u>199,898</u>		<u>160,395</u>
Total revenue from burial services	<u>18,778</u>	<u>2,165,253</u>	<u>22,122</u>	<u>1,748,898</u>

During Last Year, the market demand for burial services were temporarily restrained. During the Year, the accumulated and deferred market demand for burial plot services came up with higher volumes of customers visiting our cemeteries, resulting in a swift sales rebound. During the Year, revenue from sale of burial plots services for ordinary business purpose increased by RMB395.3 million or 25.3% as compared to that of Last Year, and sales volume increased by 3,131 or 23.6% and the ASP increased by approximately 1.4%. During the Year, sale of public welfare plots and tomb relocation recorded RMB7.0 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 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 Year:

	2023		2022	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plots services for ordinary business purpose, from:				
Comparable cemeteries*	16,344	1,956,707	13,254	1,563,023
Cemeteries related to acquisitions/new construction	41	1,637	—	—
Total revenue from sale of burial plots services for ordinary business purpose	16,385	1,958,344	13,254	1,563,023

* Comparable cemeteries refer to those cemeteries owned and operated by the Group for the entire period from January 1, 2022 to December 31, 2023.

During the Year, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries increased by RMB393.7 million or 25.2% as compared to that of Last Year. Its sales volume increased by 3,090 or 23.3%. This is because cemeteries resumed to normal operation during the Year and the number of customers visiting the cemetery parks to purchase the burial plot has significantly increased and the accumulated and deferred market demand for burial services has come up swift and strong. In particular, the sales volume of the two cemeteries in Shanghai has picked up significantly during the Year together with the delivery of high quality service and innovative burial plot products to the customers. Meanwhile, the ASP of burial plots sold

for ordinary business purpose increased by 1.5%, mainly due to the combined effect of improved products mix, contributions from various cemeteries and the increase in their value, etc. Revenue from sale of burial plots services for ordinary business purpose in newly acquired or newly developed cemeteries increased by RMB1.6 million, mainly due to the contribution from the cemeteries in Yan'an of Shaanxi Province and Heze of Shandong Province which started to operate during the Year. The ASP of burial plots sold for ordinary business purpose in newly acquired cemeteries was lower than that of comparable cemeteries, as the cemeteries are located at different regions 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 Year:

	2023		2022	
	No. of customers	Revenue (RMB'000)	No. of customers	Revenue (RMB'000)
Funeral services, from:				
Comparable facilities*	71,460	395,803	73,174	359,427
Facilities related to new acquisitions/new construction	1,208	2,083	—	—
Total revenue from funeral services	72,668	397,886	73,174	359,427

* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2022 to December 31, 2023.

During the Year, revenue from funeral services increased by RMB38.5 million or 10.7%. The volume of funeral services decreased by 506 households or 0.7%, while ASP increased by RMB563 or 11.5%. Revenue from comparable funeral facilities and services increased by RMB36.4 million or 10.1%. The service volume decreased by 1,714 households or 2.3% mainly because input-out analysis were performed on certain funeral projects upon their expiration of existing cooperation agreements during the Year and management determined to cease the operation of those low-performing funeral facilities.

The increase of ASP of comparable funeral facilities and services was mainly due to the following combined effect: 1) funeral facilities resumed to normal operation, and more value-added services such as wake services, ceremonial farewell services and body SPA have been provided; 2) the proportion of the total sale volumes from Shanghai Liyi with higher ASP has increased.

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

GEOGRAPHIC INFORMATION

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

	2023		2022	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Shanghai	1,262,184	49.2%	964,745	45.8%
Liaoning	188,694	7.4%	152,228	7.2%
Anhui	166,869	6.5%	193,146	9.2%
Henan	164,076	6.4%	92,179	4.4%
Shandong	120,097	4.7%	127,442	6.0%
Jiangsu	117,547	4.6%	101,940	4.8%
Jiangxi	106,804	4.2%	104,226	4.9%
Heilongjiang	97,269	3.8%	83,056	4.0%
Chongqing	85,853	3.3%	94,043	4.5%
Fujian	64,670	2.5%	53,302	2.5%
Guizhou	59,754	2.3%	53,041	2.5%
Zhejiang	56,900	2.2%	44,634	2.1%
Gansu	28,279	1.1%	13,447	0.6%
Guangxi	20,887	0.8%	13,279	0.6%
Inner Mongolia	19,915	0.8%	16,291	0.8%
Shaanxi	1,696	0.1%	—	—
Hubei	1,645	0.1%	1,326	0.1%
Total	2,563,139	100.0%	2,108,325	100.0%

During the Year, revenue in most regions increased to different degrees thanks to the enhancement of the Group's brand as well as the increased customers' recognition of the small and artistic products and services. Revenue from Shanghai region has reported a significant increase due to a swift and strong sales rebound and the lower base in the last year. Revenue from Shaanxi region is related to Yan'an Hongfu, which was acquired in June 2023.

OTHER SERVICES

Revenue from other services for the Year mainly represented revenue of approximately RMB29.4 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, revenue from Construction Services (“EPC”) of RMB10.7 million, revenue from the sale of cremation machines and other related services of approximately RMB31.8 million, revenue of approximately RMB2.1 million generated from construction service of funeral parlours under the franchise agreements.

OPERATING EXPENDITURE

The Group’s operating expenditure, which accounted for 47.8% of total revenue for the Year (Last Year: 52.6%), increased by RMB114.5 million or 10.0%. The significant increase in the number of business activities and sales services 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 Year, the staff costs increased by RMB42.7 million or 9.2%. Such increase was mainly attributable to the combined effects of (1) the return of staff salaries to normal level, and during the Year, we no longer enjoyed various social security reduction and exemption policies as the Last Year, (2) newly acquired or established companies such as Yan’an Hongfu, Shenyang Fuyou, and Heze Fuluyuan which started to construct and operate.

The construction costs relate to the expenditures in building burial plot products (excluding stone materials). During the Year, the construction costs decreased by RMB0.2 million or 0.1%, mainly due to the combined effects of (1) the related cost decreased by RMB3.6 million due to fewer professional services offered to cemeteries and funeral parlours, and (2) the construction cost of funeral parlours under franchise agreements decreased by RMB2.7 million due to fewer related services rendered. 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 Year, the consumed materials and goods increased by approximately RMB26.9 million or 16.6%, in line with the growth of business volume of burial and funeral services during the Year. Meanwhile, the Group focuses on implementing the centralized procurement to a larger scale and to cover more materials with a view to continuing to reduce overall purchase costs.

Marketing and sales channel costs mainly include advertising costs, marketing costs, and sales commission. During the Year, the marketing and sales channel costs increased by RMB5.7 million or 13.3%. 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 RMB10.7 million or 6.8%, mainly due to the commencement of operation of certain new cemeteries and funeral facilities.

Other general operating expenditures increased by RMB17.9 million or 11.7%. The increase of other general operating expenditures such as office expenses, travel expenses, conference expenses, roadshow expenses and etc. was mainly in line with the improved sales performance during the Year.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Year increased by RMB341.9 million or 33.2% as compared to the Year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Year:

	2023		2022	
	Operating Profit (RMB'000)	Operating Profit Margin	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	1,304,277	60.2%	986,017	56.4%
Funeral services	64,413	16.2%	48,357	13.5%
Other services	1,847	2.4%	93	0.1%
Inter-segment elimination	1,662	(12.2%)	(4,140)	17.0%
Total	1,372,199	52.2%	1,030,327	47.4%

During the Year, the operating profit margin of burial services increased to 60.2% from 56.4% of Last Year. The increase was mainly attributable to: 1) the accumulated and deferred market demand has come up swift and strong leading to higher sales volume of the cemeteries. In particular, the two cemeteries in Shanghai ,have proved a quicker rebound and increased revenue contribution percentage than prior year; 2) cemetery parks within the Group have increased ASP and sales volume to different degrees due to the enhancement of the brand as well as the increased customers' recognition of small, artistic and digitalized products and services. In particular, the newly constructed cemeteries, such as the ones in Nanchang of Jiangxi Province and Lanzhou of Gansu

Province have entered into a rapid development period. The above-mentioned business development has led to the increase of revenue as well as the overall operating profit margin of burial services.

Funeral services were affected by the Covid-19 outbreak last year and certain value-added services and products were unable or limited to be provided in line with social distancing requirements. During the Year, 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. Meanwhile, 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 Year, other services segment recorded an operating gain of RMB1.8 million, mainly arising from the construction and design services, partly offset by 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 Year consisted of interest expenses of RMB2.1 million (Last Year: Nil) on loan from bank and financial institutions. Finance costs for the Year consisted of interest expenses of RMB0.9 million (Last Year: RMB1.1 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities and other long-term liabilities of RMB4.4 million (Last Year: RMB3.9 million).

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

OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses for the Year mainly include interest income, government grants received, exchange gains and losses, changes in the value of financial assets at fair value, disposal gains and losses of long-term assets and etc. Among others, interest income and gains from unlisted cash management products during the Year amounted to RMB62.2 million, representing an increase of RMB17.9 million or 40.5% as compared to Last Year. Government grants received for the Year was RMB29.8 million, and increased by RMB3.2 million or 12.2% compared to Last Year. Net gain on disposal of long-term assets during the Year amounted to RMB8.7 million.

INCOME TAX EXPENSE

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

During the Year, income tax expenses recorded RMB455.6 million, representing an increase of RMB174.2 million or 61.9% as compared to that 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 RMB87.4 million accrued on the Year'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 Year amounted to RMB791.2 million, representing an increase of RMB132.6 million or 20.1% as compared to Last Year.

CASH FLOW

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

	2023 (RMB'000)	2022 (RMB'000)
Net cash generated from (used in)		
— operating activities	1,222,548*	868,255*
— investing activities	(481,796)*	397,913*
— financing activities	(387,518)	(399,541)
Total	<u>353,234</u>	<u>866,627</u>

* A classification made by management does not comply with International Financial Reporting Standards, however, management considers this classification can better reflect the nature of the Group's business and can make the information disclosed more comparable. The net cash generated from operating activities disclosed in the audited financial statements amounted to RMB1,102.9 million (Last Year: RMB852.9 million) and the net cash used of investing activities as disclosed in the audited financial statements amounted to RMB362.1 million (Last Year: net cash used of RMB413.2 million). During the Year, an amount of RMB119.7 million (Last Year: RMB15.3 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 RMB1,222.5 million for the Year, representing an increase of RMB354.3 million or 40.8% as compared to that of last year, which was primarily due to the increase in revenue during the Year, maintaining our competitiveness as always in generating cash from our operating activities.

Our net cash used in investing activities amounted to RMB481.8 million during the Year. It was primarily due to: (i) net amount of payment of time deposits, and other financial assets of RMB616.2 million; (ii) payment of RMB119.7 million for the acquisition of cemetery lands; (iii) payment of RMB77.4 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 RMB42.6 million; and (v) payment of loan to non-controlling shareholders totaling RMB3.8 million; which were partially offset by: (a) withdrawal of investment in equity fund totalling RMB262.3 million; (b) the interests and gains from unlisted cash management products received of RMB54.7 million; and (c) repayment of loan from a third party in connection with acquisition of land of a cemetery project totaling RMB48.0 million; and (d) land-related compensation received of RMB12.8 million.

Our net cash used in financing activities amounted to RMB387.5 million during the Year. It was primarily due to: (i) final dividends for 2022 and interim dividends for 2023 paid to shareholders of the Company of RMB347.6 million; (ii) dividends paid by subsidiaries to their non-controlling shareholders of RMB132.9 million; (iii) loan of RMB80.0 million to Yan'an Hongfu to enable it to pay back its loan to original shareholder; (iv) repayment of lease payment and other long-term liabilities of RMB23.1 million; and (v) repayment of non-controlling shareholders' loan of RMB4.4 million; which were partially offset by: receipt of loan from bank totaling RMB200.0 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2023, we had bank balances and cash of RMB2,295.5 million (December 31, 2022: RMB1,942.2 million), time deposits of RMB167.7 million (December 31, 2022: RMB33.5 million) and unlisted cash management products of RMB776.5 million (December 31, 2022: RMB487.9 million). Such unlisted cash management products are 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 Year, on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at December 31, 2023, we had outstanding bank borrowings totaling RMB200.0 million.

In addition, we had RMB15.5 billion of comprehensive bank credit line as at December 31, 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 December 31, 2023 was 3.5% (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 December 31, 2023, the amount denominated in RMB, HK\$, US\$ and JPY under the financial assets, time deposits, bank balances and cash accounted for 97.6%, 1.3%, 0.9% and 0.2%, 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 investment 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 December 31, 2023, the Group did not hold any significant investments (December 31, 2022: Nil).

CHARGES ON ASSETS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at December 31, 2023, the Group had no specific plans for any material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As of December 31, 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 December 31, 2023, we had 2,417 full-time employees (December 31, 2022: 2,401 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 RMB22.8 million as at December 31, 2023.

CEMETERY LANDS AVAILABLE

The saleable area for burial plots was approximately 2.85 million sq.m. as at December 31, 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 December 31, 2023, we had no contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

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

PROSPECTS

Looking ahead, we will strive to explore a new development model of the industry, reach the goal to carrying memory and emotion by the Internet technology and building the wisdom, efficient, environmental protection, warm service system, inject new connotation into the industry, continue to lead the industry reform and improve the service level. We will adhere to our strategy of expansion, look for suitable growth opportunities, strive for external development and business chain perfecting, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share to cater for more people's need for high quality death care services. We will push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business, we will consolidate newly acquired businesses and raise their standards on a par with ours. We will actively transform from a death care service provider to a death care and life technology service provider, with the aim of offering high-quality life services and technology-driven commemorative services, promoting industry change, and advancing social civilization.

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

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, May 23, 2024 and the notice of AGM is expected to be published on or about Tuesday, April 23, 2024.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommended the payment of a final dividend of HK6.86 cents per Share for the Year (Last Year: HK7.58 cents), which is subject to the approval by the Shareholders at the AGM, and a special dividend of HK21.39 cents per Share for the Year. The final dividend is expected to be payable to the Shareholders on Friday, June 28, 2024. The final dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, June 18, 2024. The special dividend is expected to be payable to the Shareholders on Thursday, October 31, 2024. The special dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, October 18, 2024.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Monday, May 20, 2024 to Thursday, May 23, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, May 17, 2024.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Friday, June 14, 2024 to Tuesday, June 18, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, June 13, 2024.

For determining the entitlement to the proposed special dividend, the transfer books and register of members of the Company will be closed from Wednesday, October 16, 2024 to Friday, October 18, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed special dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, October 15, 2024.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Year.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fsygroup.com). The annual report for 2023 will be published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

“AGM”	annual general meeting of the Company to be held on May 23, 2024
“Anhui Longmen Cemetery”	a cemetery in Suzhou of Anhui Province and operated by Anhui Longmen Cultural Cemetery Co., Ltd.* (安徽龍門文化陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Anyang Tianshouyuan Cemetery”	a cemetery in Anyang of Henan Province and operated by Anyang Fushouyuan Civil Service Co., Ltd.* (安陽福壽園民生服務有限公司), formerly known as Anyang Wulong Civil Service Co., Ltd* (安陽縣五龍民生服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company

“ASP”	average unit selling price
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“CG Code”	Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Changchun Huaxia Cemetery”	a cemetery in Changchun City of Jilin Province and operated by Changchun Huaxia Cemetery Co., Ltd.* (長春華夏陵園有限公司), a limited company established under the laws of the PRC
“Changzhou Qifengshan Cemetery”	a cemetery in Changzhou City of Jiangsu Province and operated by Changzhou Qifengshan International Cemetery Co., Ltd.* (常州棲鳳山國際人文陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Chaoyang Longshan Cemetery”	a cemetery in Chaoyang County of Liaoning Province and operated by Chaoyang Longshan Fuyuan Cemetery Co., Ltd.* (朝陽縣龍山福園公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chongqing Baitayuan”	a cemetery in Yongchuan of Chongqing Municipality and operated by Chongqing Baitayuan Funeral and Burial Development Co., Ltd.* (重慶白塔園殯葬開發有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Company” or “Fu Shou Yuan”	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on January 5, 2012
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“FSY Hong Kong”	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on October 10, 2011. It is a direct held subsidiary of the Company

“Group”, “our Group”, “us”, “we” or “Fu Shou Yuan Group”	the Company and its subsidiaries
“Guangxi Huazuyuan Cemetery”	a cemetery in Fangchenggang City of Guangxi Zhuang Autonomous Region and operated by Guangxi Huazuyuan Investment Co., Ltd.* (廣西華祖園投資有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2017
“Guanlingshan Cultural Cemetery”	a cemetery in Tieling City of Liaoning Province and operated by Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd.* (遼寧觀陵山藝術園林公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Guizhou Tianyuanshan”	Zheng’an Fu Shou Yuan Industrial Co., Ltd.* (正安縣福壽園實業有限公司), formerly known as Guizhou Tianyuanshan Funeral Service Co., Ltd.* (貴州天圓山殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Haigang Fu Shou Yuan”	a cemetery in Pudong New District of Shanghai (上海浦東新區) and operated by Shanghai Nanyuan Industrial Development Co. Ltd.* (上海南院實業發展有限公司), a company established in the PRC and a subsidiary of the Company
“Harbin Mingxiyuan Cemetery”	a cemetery in Harbin, Heilongjiang Province and operated by Harbin Mingxiyuan Cemetery Co., Ltd.* (哈爾濱明西園公墓有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Helinge’er Anyou Cemetery”	a cemetery in Hohhot City of the Inner Mongolia Autonomous Region and operated by Inner Mongolia Fu Shou Yuan Industrial Co., Ltd.* (內蒙古福壽園實業有限公司), formerly known as Helingeer County Anyou Ecological Memorial Cemetery Co., Ltd.* (和林格爾縣安佑生態紀念陵園有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Henan Fu Shou Yuan”	a cemetery in Longhu Town, Xinzheng City of Henan Province (河南省新鄭市龍湖鎮) and operated by Henan Fu Shou Yuan Industrial Co., Ltd.* (河南福壽園實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company

“Heze Fuluyuan”	a cemetery in Heze City of Shandong Province and operated by HezeFuluyuan Cemetery Management Co., Ltd.* (荷澤福祿園公墓管理有限公司), a limited company established under the laws of the PRC and a 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
“Hubei Tiansheng Cemetery”	a cemetery in Wuhan of Hubei Province and operated by Hubei Tiansheng Cemetery Co., Ltd.* (湖北天聖公墓有限公司) a limited company established under the laws of the PRC and became a subsidiary of the Company since January 2019
“Jinsha Fuze”	Jinsha Fuze Binzang Co., Ltd.* (金沙縣福澤殯葬有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Jinzhou Maoshan Anling”	a cemetery in Jinzhou City of Liaoning Province and operated by Jinzhou City Maoshan Anling Co., Ltd.* (錦州市帽山安陵有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Last Year”	the year ended December 31, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Luoyang Xianhe Cemetery”	A cemetery in Luoyang City of Henan Province and operated by Luoyang Xianhe Memorial Cemetery Co., Ltd.* (洛陽仙鶴紀念陵園有限公司), a limited company established under the PRC and a subsidiary of the Company since January 2017
“Meilin Century Cemetery”	a cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Nanchang Hongfu”	Nanchang Hongfu Humanities Memorial Co., Ltd.* (南昌洪福人文紀念有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Restricted Share Incentive Scheme”	the restricted share incentive scheme adopted by the Company with effect from November 29, 2019

“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shanghai Fu Shou Yuan”	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Group 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)
“Shenyang Fuyou”	Shenyang Fuyou Funeral Service Co., Ltd.* (沈陽福佑殯葬禮儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Temshine”	Beijing Tian Quan Jia Jing Cemetery Construction & Design Co., Ltd.* (北京天泉佳境陵園建築設計有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since August 2017
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States
“Wuyuan Wanshoushan Cemetery”	a cemetery in Wuyuan of Jiangxi Province and operated by Wuyuan Wanshoushan Lingyuan Co., Ltd.* (婺源縣萬壽山陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Yan’an Hongfu”	a cemetery in Yan’an of Shaanxi Province and operated by Yan’an Hongfu Cemetery Co., Ltd.* (延安洪福公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Year”	the year ended December 31, 2023

“Zaozhuang Shanting Xingtai”	Zaozhuang Fu Shou Yuan Funeral and Burial Service Co., Ltd.* (棗莊市福壽園殯葬服務有限公司), formerly known as Zaozhuang Shanting Xingtai Funeral Service Co., Ltd.* (棗莊市山亭興泰殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2016
“Zhengzhou Anletang”	Zhengzhou Anletang Etiquette service Co., Ltd.* (鄭州安樂堂禮儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Zhuolu Yuanbaoshan”	a cemetery in Zhangjiakou city of Hebei Province and operated by Zhuolu Longhui Tianfu Yuanbaoshan Development Management Co. Ltd.* (涿鹿隆暉天富元寶山開發管理有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“%”	per cent.

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

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

Hong Kong, March 22, 2024

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.