



福壽園國際集團

FU SHOU YUAN INTERNATIONAL GROUP



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

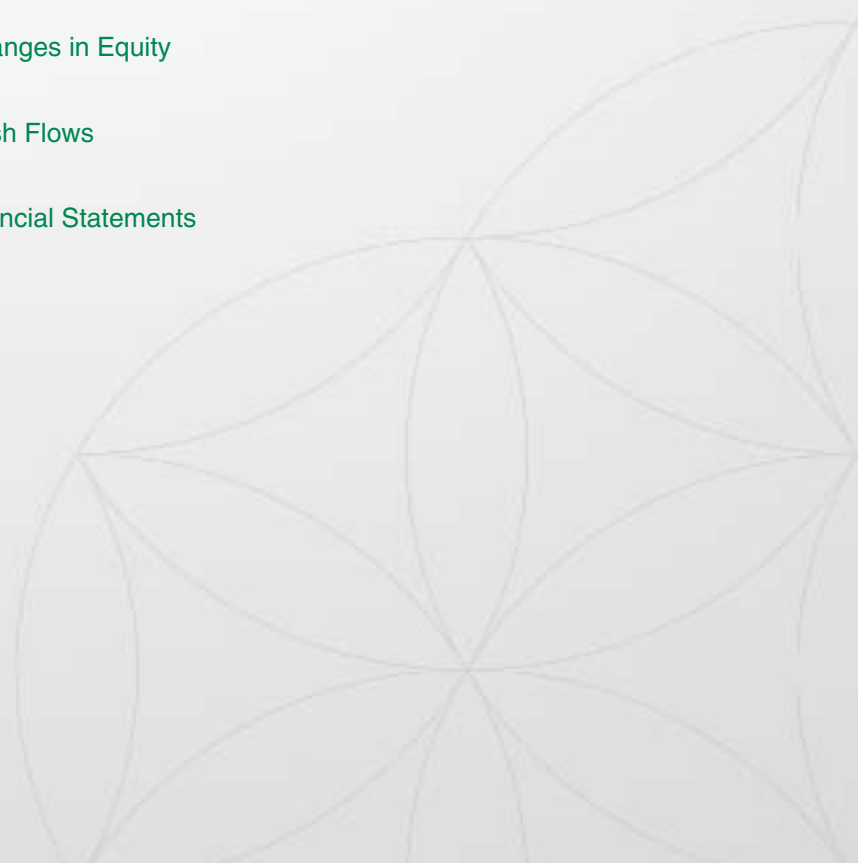
Incorporated in the Cayman Islands with limited liability

2016
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Bai Xiaojiang (*Chairman*)

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

Mr. Wang Jisheng (*Chief Executive*)

Non-executive Directors

Mr. Ma Xiang⁽¹⁾

Mr. Lu Hesheng

Mr. Huang James Chih-Cheng

Independent Non-executive Directors

Mr. Chen Qunlin

Mr. Luo Zhuping

Mr. Ho Man

Ms. Wu Jianwei

AUDIT COMMITTEE

Mr. Ho Man (*Chairman*)

Mr. Huang James Chih-Cheng

Mr. Luo Zhuping

NOMINATION COMMITTEE

Mr. Bai Xiaojiang (*Chairman*)

Mr. Wang Jisheng

Mr. Chen Qunlin

Mr. Ho Man

Mr. Luo Zhuping

REMUNERATION COMMITTEE

Mr. Luo Zhuping (*Chairman*)

Mr. Tan Leon Li-an

Mr. Chen Qunlin

COMPLIANCE COMMITTEE

Ms. Wu Jianwei (*Chairman*)

Mr. Luo Zhuping

Mr. Ho Man

Mr. Chen Qunlin

Notes:

⁽¹⁾ With effect from January 12, 2016, Mr. Lin Hung Ming resigned as non-executive Director and Mr. Ma Xiang has been appointed as non-executive Director.

⁽²⁾ With effect from August 17, 2016, Mr. Zhang Jingming has been appointed in replacement of Ms. Wong Wai Ling as a joint company secretary of the Company.

JOINT COMPANY SECRETARIES

Mr. Zhao Yu

Mr. Zhang Jingming⁽²⁾

AUTHORIZED REPRESENTATIVES

Mr. Bai Xiaojiang

Mr. Zhao Yu

REGISTERED OFFICE

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P.O. Box 1350

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Grand Cayman KY1-1108

Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

P.O. Box 1350

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CORPORATE INFORMATION

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Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
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Hong Kong

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tomatsu

STOCK CODE

1448

WEBSITE

<http://www.fsygroup.com>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the results of the Company and its subsidiaries for the six months ended June 30, 2016.

In the first half of 2016, the global economy entered into a period of profound adjustment with lingering downward pressure. The Chinese government continued to implement proactive fiscal and prudent monetary policies with a view to securing overall stable growth of China's economy. During the Period, the gross domestic product ("GDP") increased by 6.7% year-on-year and the national economy made progress amidst stability. Although being affected by the economic cycle, thanks to our continuous and effective business expansion and upgrade, Fu Shou Yuan Group continued to grow steadily. During the Period, the Group's revenue amounted to RMB641.5 million, representing an increase of 9.2% compared to the same period in 2015. The gross profit margin of the Group was 78.9% while profit and comprehensive income attributable to shareholders was RMB177.9 million, up 12.0% compared to the same period of last year. The Board declared an interim dividend of HK2.57 cents per Share for 2016 to the Shareholders to reward their support.

During the Period, the Group continuously improved its service quality and optimized its industrial chain while expanding strategically to enlarge the Group's business coverage. Currently, cemeteries and funeral facilities controlled by the Group cover 15 cities across China.

During the Period, Fu Shou Yuan Group consistently deepened its extensive cooperation with local governments, offering various solutions such as PPP (public-private partnership) and BOT (build-operate-transfer). Besides facilitating structural reform, such initiatives also help to provide diversified quality services to customers and promote the innovative development of the industry. In January and February 2016, the Group entered into agreements with local governments of Tai'an City in Shandong Province, and Bishan District in Chongqing Municipality, respectively. Under the agreements, the Group will establish and operate funeral parlours under the BOT model and co-invest in new cemeteries. In June 2016, the Group also won the bid to cooperate with the local government of Xuancheng City in Anhui Province, to establish and operate funeral facility and a cemetery.

Meanwhile, the Group leveraged on the favorable policies continuously rolled out by the government to encourage marketization of death care industry, followed closely with the industry trend of "Humanism, Science & technology, Innovation and Environmental Protection" and actively responded to the green, energy-saving and environmental-friendly development pathway proposed in the "13th Five-Year Plan". After three years of efforts, the Group's self-developed environmental-friendly cremation machine successfully passed an authoritative environmental assessment in June 2016 and has commenced trial production and trial sale. The Group believes that the environmental-friendly cremation machine business will become our new growth driver in the foreseeable future. As for the funeral services, in the first half of 2016, the Group made a strategic step by launching trial sales of pre-need contracts in Hefei City and Chongqing Municipality which received positive market response.

Since its Listing, the Group has been adhering to its active expansion approach and devoted to boost the modernization, transformation and innovation of the industry while realizing profit, which gained us recognition from various sectors of the community. During the Period, the Group was awarded "New Stocks with the Greatest Growth Potential" of "2015 Top 100 Hong Kong Listed Shares Awards", which is jointly organized by Tencent and the Hong Kong financial media Finet Group Ltd, which is a strong testament of the confidence of investors in the Company's future development. Besides, the Group was also granted "2016 Outstanding Brand Image" at the 5th China Finance Summit. As the largest death care services provider in China, the honour received at the summit as one of the exemplary companies and persons who promote economic growth and social progress under the new norm fully demonstrates that the Group's corporate principle and value of "adhering to the people-oriented philosophy and taking its root in culture" have gained widespread recognition.

CHAIRMAN'S STATEMENT

During the Period, the Group released the first sustainability report of China's death care industry. Since its establishment, the sense of responsibility towards the enterprise, society, industry and history has urged the Group to bring humanity, environmental protection, charity and care into its daily operation. The Group has actively participated in many social welfare activities, covering a wide range of fields, including cultural education, disaster relief, poverty support, environmental protection, etc. Besides organizing the first death care industry management training course in China, the "Culture and Education Committee" and "Fu Shou Yuan Life Service College" have already been in functioning. The Group is striving to introduce, advocate and implement the advanced international death care concepts so as to train and build a pool of professionals for the long-term development of the Company and the industry.

Looking forward, leveraging on the opportunities brought by the prevailing trend of accelerating urbanization, the Group will provide more superior services and rich options on cultural consumption to clients and promote the healthy development of China's death care industry towards Humanism, Science & technology, Innovation and Environmental Protection. The Group will also be engaged in business innovation, adopt the most advanced technologies and first-class concepts in the world and integrate the new business with existed one. By adhering to the people-oriented philosophy, taking its root in culture, being innovative and pragmatic, and building a harmonious relation with the environment, the Group will offer a rich diversity of quality services to the market, so as to further enhance profitability and deliver the best reward to our investors.

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

Hong Kong, August 12, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

“Filial piety” has long been China’s traditional culture and virtue, which serves as the back bone for the death care industry to subsist and develop in the PRC. The Group currently focuses on the death care service market in the PRC which for its huge population base and the cultural heritage of “filial piety”, has developed into the largest death care market in the world.

The increasing disposable income per capita in the PRC, strong promotion by the government on Chinese traditional culture and virtue, accelerating pace of urbanization and aging population, have generated huge demand on death care services, enabling the death care service industry in the PRC to develop into one of the industries where the growth is fairly predictable and moderate.

BUSINESS COMMENTARY

As the largest death care services provider in the PRC, the Group strives to develop cemeteries into urban cultural parks, offer the last farewell to lives with respects and comliness, and transform the traditional death care industry into a modern service industry that caters to customers’ needs. We provide customized services and a broad range of services to customers. Our service is grounded on our respect for lives. We help our customers express their grief and filial piety, honor the final journey of a person’s life and ensure it is completed with dignity. As with the past, in the first half of 2016, we focused on refining the environment and cultural setting of cemeteries, enhancing our service quality and offering innovative services and products. The beautiful cemeteries constructed by the Group and the customized services we provide have gained widespread recognition from our customers.

Leveraging the capital achieved through the Group’s Listing and our vision on the industry and management experience, we have been expanding our business by collaborating with local governments, thus establishing a new operation model in the industry. In January and February 2016, we signed agreements with the local governments of Tai’an City in Shandong Province, and Bishan District in Chongqing Municipality, respectively to establish and operate funeral parlours under the BOT (build-operate-transfer) model, and co-invest in new cemeteries. A jointly invested company and a sole proprietorship, that will serve as the main operation vehicles, were established pursuant to the agreements. In June 2016, we were awarded the tender to establish and operate a local funeral facility together with a cemetery located in Xuancheng City in Anhui Province. We are striving for the earliest possible completion of the projects in these 4 cities, including the one in Dafeng City in Jiangsu Province, where the agreement was signed in 2015. The launch of these projects will facilitate further breakthroughs in the Group’s cooperation with local governments in the PRC in the future. It will also boost the Group’s market share in the funeral service industry.

During the Period, our two cemeteries in Anyang City and Huaibei City started to generate revenue. Changzhou Qifengshan Cemetery acquired at the end of 2015 also delivered the expected revenue. As at 30 June 2016, excluding the aforementioned projects that are still under development, the Group owns 14 cemeteries (13 of which were in operation and the 14th is under construction), and 10 funeral facilities in operation. We also generate revenue by providing entrusted management services to three small cemeteries. Our business has expanded to cover 15 cities in 10 provinces or municipalities in the PRC. Our consistently expanding cemeteries and funeral services constitute a good foundation for the Group’s future development.

MANAGEMENT DISCUSSION AND ANALYSIS

Our self-developed environmental friendly cremator factory, which involved three years of intensive research and development, successfully passed an authoritative environmental assessment in June 2016. The assessment result indicates that all the emission indicators of the cremator meet China's environmental standards. In the few months to come, we will carry out trial production and trial sale on a small scale and our aim is to achieve large-scale production and retail as soon as possible. The new environmental requirements imposed by the Chinese government on cremators are going to generate great market demand. We believe our environmental friendly cremator business will form a significant part of the Group's business in the foreseeable future.

In the first half of 2016, we launched a trial sale of pre-need contract for funeral services, which has led to positive results. The sale carried strategic significance for the Group to tap the pre-need contract market.

While growing rapidly, the Group also strives to boost its core competitiveness and industry consolidation capacity. The Group's "Culture and Education Committee" and "Fu Shou Yuan Life Service College", established in 2015, have already been in functioning. We strive to preach and implement the advanced international funeral concepts so as to train and build a pool of professionals for future business expansion. We continually motivate our management and employees. During the first six months of 2016, we implemented the fourth batch of grant of share options under our share option schemes, which further enhanced and boosted the Group's internal cohesion and effectively motivated our employees. Meanwhile, we have been making continuous efforts to enhance our management and strengthen budget control and the internal management system.

During the Period, our business was mainly driven by the organic growth, accounting for 97.6% of total revenue. Our gross profit margin and revenue per square meter of land were further improved, as compared to the same period in 2015, through our continuous efforts in operation efficiency enhancement and expenditure controls.

As a result of all these efforts, we achieved impressive growth despite of the slow-down of China's economy growth. During the first half of 2016, the Group recorded the sale of 7,196 tombs and provided 8,048 funeral services. The total revenue amounted to RMB 641.5 million, up 9.2% year-on-year. The Group made a net profit totaling RMB 233.1 million, representing an increase of 16.1% compared to the same period in 2015. Net profit attributable to our shareholders was RMB 177.9 million, representing an increase of 12.0% as compared to the same period in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

We derive our revenue primarily from three business segments: burial services, funeral services and auxiliary services. The following table sets forth our revenue by segment for the Period:

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
Burial services	570,156	88.9%	516,001	87.8%
Funeral services	70,071	10.9%	67,582	11.5%
Auxiliary services	2,925	0.5%	4,030	0.7%
Inter-segment elimination	(1,611)	(0.3%)	—	—
Total	641,541	100.0%	587,613	100.0%

Our revenue increased by RMB53.9 million, or 9.2%, from RMB587.6 million for the six months ended June 30, 2015 to RMB641.5 million for the Period. This increase was primarily driven by a 10.5%, or RMB54.2 million, increase in revenue from burial services, a 3.7%, or RMB2.5 million, increase in revenue from funeral services.

We obtained accredited environmental testing on our environmental-friendly cremation machine in June 2016. It is believed that the environmental-friendly cremation machine business will make considerable contribution to the Group's revenue in the near future.

Our cemeteries and funeral facilities are strategically located in major cities across 10 provinces in the PRC. The following table sets forth a breakdown of our revenue from burial services and funeral services by region for the Period:

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
Shanghai	347,720	54.3%	302,167	51.8%
Henan	21,366	3.3%	44,362	7.6%
Chongqing	42,068	6.6%	48,055	8.2%
Anhui	64,744	10.1%	50,226	8.6%
Shandong	19,590	3.1%	20,454	3.5%
Liaoning	94,520	14.8%	92,291	15.8%
Jiangxi	18,279	2.8%	13,752	2.4%
Fujian	14,076	2.2%	11,074	1.9%
Zhejiang	2,495	0.4%	1,202	0.2%
Jiangsu	15,369	2.4%	—	—
Total	640,227	100.0%	583,583	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

We have been focusing on providing top quality burial and funeral services to our customers, strengthened our sales and marketing effort during the Period. As a result, we achieved growth as compared to the same period of last year in majority of locations where we operate. We completed the acquisition of the controlling equity in Changzhou Qifengshan Cemetery in the 2nd half of year 2015. It contributed revenue of RMB15.4 million for the Period. The revenue from Henan region decreased by RMB23.0 million, or 51.8%, as compared with the six months ended June 30, 2015. It is because that Henan Fu Shou Yuan sold a batch of 3,495 plots, amounting to RMB25.5 million, to accommodate the tomb relocation funded by local government for the six month period ended June 30, 2015, while there was no such revenue related to the tomb relocation for the Period. The revenue from Chongqing region decreased by RMB6.0 million, or 12.5% as compared with the six months period ended June 30, 2015. It is mainly because the funeral agents have been providing underground wake services by making use of a newly government built funeral parlour since the second half of 2015, which eroded part of our market share. We are approaching this funeral parlour for possible cooperation and actively exploring other suitable sites to increase our funeral service coverage in Chongqing.

BURIAL SERVICES

We derived a substantial portion of revenue from our burial services, which represented 88.9% (six months ended June 30, 2015: 87.8%) of our total revenue for the Period. Our burial services include the sale of burial plots and cemetery maintenance services. Sale of burial plots represented the largest component of our revenue from burial services, which contributed 98.6% of our revenue from burial services for the Period. The following table sets forth the breakdown of our revenue from burial services, including revenue from the sale of burial plots by type and revenue from cemetery maintenance services, for the Period:

	Six Months Ended					
	June 30, 2016			June 30, 2015		
	No. of Units	Revenue (RMB'000)	% of revenue from burial services	No. of Units	Revenue (RMB'000)	% of revenue from burial services
Sale of burial plots						
– Customized	408	140,380	24.6%	388	112,209	21.7%
– Artistic	2,239	234,979	41.2%	4,898	174,294	33.8%
– Traditional	2,794	108,150	19.0%	3,222	142,778	27.7%
– Lawn	382	25,306	4.4%	451	27,249	5.3%
– Green	593	7,293	1.3%	2,107	7,991	1.5%
– Indoor	780	8,310	1.5%	874	6,638	1.3%
– Other burial related services	—	37,510	6.6%	—	37,333	7.2%
	7,196	561,928	98.6%	11,940	508,492	98.5%
Cemetery maintenance services	—	8,228	1.4%	—	7,509	1.5%
Total Revenue From Burial Services	7,196	570,156	100.0%	11,940	516,001	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

We sold 6,746 burial plots, excluding 450 plots charged with very low prices in Haigang Fu Shou Yuan for public welfare purpose for the Period. While we sold 6,242 burial plots, excluding 2,203 plots charged with very low prices in Haigang Fu Shou Yuan for public welfare purpose and 3,495 plots sold by Henan Fu Shou Yuan to accommodate the tomb relocation funded by local government in Henan Province, for the six months ended June 30, 2015. The number of burial plots we sold increased by 504 units, or 8.1% from our ordinary business as compared with the six months ended June 30, 2015. Among 504 units, 182 burial plots were sold by Changzhou Qifengshan Cemetery, a subsidiary acquired in the second half of 2015, for the Period.

The average selling price of burial plots, excluding those plots for public welfare and tomb relocation purpose as mentioned above, was RMB77,675 per unit for the Period. It is increased by RMB6,402 per unit, or 9.0%, from RMB71,273 per unit for the six months ended June 30, 2015.

We have thirteen cemeteries in operation as of June 30, 2016, and have been deriving revenue from twelve of them as subsidiaries and one of them as a joint venture. The following table sets forth the breakdown of our revenue from the burial services by cemetery for the Period:

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
Shanghai Fu Shou Yuan	245,426	43.1%	214,395	41.5%
Haigang Fu Shou Yuan	95,638	16.8%	83,260	16.1%
Henan Fu Shou Yuan	20,722	3.6%	44,348	8.6%
Shandong Fu Shou Yuan	19,591	3.4%	20,454	4.0%
Hefei Dashushan Cultural Cemetery	46,957	8.2%	37,094	7.2%
Jinzhou Maoshan Anling	24,806	4.4%	34,085	6.6%
Chongqing Baitayuan	16,942	3.0%	12,373	2.4%
Meilin Century Cemetery	11,567	2.0%	9,736	1.9%
Guanlingshan Cultural Cemetery	69,714	12.2%	58,205	11.3%
Wuyuan Wanshoushan Cemetery	2,781	0.5%	2,037	0.4%
Anyang Tianshouyuan Cemetery	644	0.1%	14	0.0%
Changzhou Qifengshan Cemetery	15,368	2.7%	—	—
Total Consolidated Revenue from Burial Services	570,156	100.0%	516,001	100.0%
Joint venture's revenue from burial services				
Huaibei Fangshan Cemetery	1,854	100.0%	—	—

MANAGEMENT DISCUSSION AND ANALYSIS

Total consolidated revenue from burial services for the Period increased by RMB54.2 million, or 10.5%, as compared with the six months ended June 30, 2015. We achieved stable growth for the Period as compared to the same period of last year in majority of the cemeteries where we operate. However, the revenue from Henan Fu Shou Yuan decreased by RMB23.6 million, or 53.3%, as compared with the six months ended June 30, 2015, with a reason discussed above. The revenue from Jinzhou Maoshan Anling decreased by RMB9.3 million, or 27.2%, as compared with the six months ended 30 June, 2015. It is mainly due to the severe local economy downturn in Jinzhou City and the structural changes in demand, while Jinzhou Maoshan Anling had not adjusted its product profile and management tactics in a timely manner responding to the market changes.

COST OF SALES AND SERVICES

The following table sets forth information relating to our cost of sales and services by segment for the Period:

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Cost of sales and services (RMB'000)	% of total cost of sales and services	Cost of sales and services (RMB'000)	% of total cost of sales and services
Burial services	107,938	79.8%	104,083	81.1%
Funeral services	26,310	19.5%	19,048	14.8%
Auxiliary services	2,305	1.7%	5,259	4.1%
Inter-segment elimination	(1,363)	(1.0%)	—	—
Total	135,190	100.0%	128,390	100.0%

Our cost of sales and services increased by RMB6.8 million, or 5.3%, from RMB128.4 million for the six months ended June 30, 2015 to RMB135.2 million for the Period. The increases were mainly due to our business growth in burial and funeral services.

Our cost of sales and services for burial services includes the following:

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Cost of sales and services (RMB'000)	% of total cost of sales and services	Cost of sales and services (RMB'000)	% of total cost of sales and services
Tombstone cost	31,793	29.5%	31,881	30.6%
Land cost	14,228	13.2%	12,691	12.2%
Development cost	31,721	29.4%	27,559	26.5%
Taxes	5,457	5.0%	7,954	7.6%
Cemetery maintenance cost	7,683	7.1%	5,783	5.6%
Costs for other burial related services	17,056	15.8%	18,215	17.5%
Total	107,938	100.0%	104,083	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Our cost of sales and services for funeral services represents the various expenditures incurred in relation to providing funeral services, including our operating staff costs, cost of caskets and other ancillary costs.

Our cost of sales and services for auxiliary services represents the various expenditures incurred in relation to manufacturing and sale of cremation machines and other services, including materials purchased, direct labor, manufacturing overheads, outsourcing costs, and other related costs.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, our gross profit increased by RMB47.1 million, or 10.3%, from RMB459.2 million for the six months ended June 30, 2015 to RMB506.4 million for the Period. We maintained a relatively high gross profit margin as we have been committing to and delivering highest quality of service in the death care services industry in the PRC. We marketed our services as premium services and our Fu Shou Yuan brand allowed us to obtain a price premium over other death care services providers. Our overall gross profit margin achieved was 78.9% for the Period, slightly higher than the overall gross profit margin of 78.2% for the six months ended June 30, 2015. This was mainly due to the increased gross margin of burial services as a result of increased average selling price and effective cost control, while partially offset by the decreased gross margin of funeral services as a result of decreased revenue from two funeral facilities in Chongqing as discussed above.

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the Period:

	Six Months Ended			
	June 30, 2016		June 30, 2015	
	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)
Burial services	462,218	81.1%	411,918	79.8%
Funeral services	43,761	62.5%	48,534	71.8%
Auxiliary services	620	21.2%	(1,229)	(30.5)%
Inter-segment elimination	(248)	15.4%	—	—
Total	506,351	78.9%	459,223	78.2%

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME AND GAINS, NET

The following table sets forth a breakdown of major components of our net other income and gains for the Period:

	Six Months Ended	
	June 30, 2016 (RMB'000)	June 30, 2015 (RMB'000)
Interest income	17,907	19,401
Government grant	4,810	5,852
Management service income	1,304	3,084
Exchange gain	1,752	93
Others	237	154
Total	26,010	28,584

Our interest income decreased by RMB1.5 million from RMB19.4 million for the six months ended June 30, 2015 to RMB17.9 million for the Period, mainly due to the decreased yield rate in China capital market.

We received a government grant in the amount of RMB4.8 million for the Period, which represented unconditional subsidies from the local government to encourage and reward our contribution to the local economy.

DISTRIBUTION AND SELLING EXPENSES & ADMINISTRATIVE EXPENSES

Our operating expenses, accounting for 36.2% of our total revenue for the Period (36.5% for the six months ended June 30, 2015), increased by RMB17.5 million, or 8.1%, from RMB214.7 million for the six months ended June 30, 2015 to RMB232.2 million for the Period. The increase was mainly as the result of: (i) the operating expenses of RMB4.6 million from Changzhou Qifengshan Cemetery, a subsidiary acquired in the second half of 2015, (ii) higher amortization on stock option by RMB3.0 million, as a result of the grant of new options during the Period, (iii) a couple of projects kicked off while still in start-up period, and (iv) general variable expenditures increase to support the business growth.

FINANCE COSTS

Finance costs for the Period consist of interest expense of RMB4.2 million on bank loans (six months ended June 30, 2015: RMB2.3 million), and interest expenses of RMB1.0 million (six months ended June 30, 2015: RMB2.1 million) on loans from non-controlling interests.

Interest expense on loans from non-controlling interests refers to our interest expense in connection with the shareholder's loans borrowed by our subsidiary, Shandong Fu Shou Yuan, from Shandong World Trade Centre. Shandong Fu Shou Yuan is jointly invested by our Group and Shandong World Trade Centre. Our Group and Shandong World Trade Centre jointly provide funding to Shandong Fu Shou Yuan, for its land acquisition and cemetery development via shareholders' loan based on the respective shareholding percentage in addition to the registered capital.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

Under the EIT Law and the Implementation Regulations of the EIT Law, our PRC subsidiaries have been subject to the tax rate of 25% since January 1, 2008. Our effective corporate income tax rate for the Period was 21.0% (six months ended June 30, 2015: 25.3%), it was mainly because: (i) Chongqing Anle Services, Chongqing Anle Funeral Services and Chongqing Baitayuan, were subject to a lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions; (ii) our interest income received on bank deposits by our subsidiary in Hong Kong is free from any income tax according to the Hong Kong tax rules; (iii) we have also reversed certain prior year tax provisions in the Period as the tax uncertainties of which have been resolved.

The income tax expenses decreased by RMB6.0 million, or 8.9%, from RMB67.9 million for the six months ended June 30, 2015 to RMB61.9 million for the Period, mainly due to the reversal of certain prior year provision and fact that certain subsidiaries are agreed to treat the employees' profit from exercising stock option as staff costs when assessing their corporate income tax in the Period, while such treatment was not applied until the year end in 2015.

PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, our profit and total comprehensive income attributable to owners of the Company increased by approximately RMB19.1 million, or 12.0%, from RMB158.8 million for the six months ended June 30, 2015 to RMB177.9 million for the Period. This increase was primarily due to: (i) the overall growth of our revenue by 9.2% from our cemeteries and funeral facilities; (ii) the relatively stable ratio of operating expenditures vs. total revenue; (iii) the slightly higher gross margin; and (iv) the decreased effective corporate income tax rate.

CASH FLOW

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

	Six Months Ended	
	June 30, 2016 (RMB'000)	June 30, 2015 (RMB'000)
Net cash generated from (used in)		
– operating activities	211,520	166,404
– investing activities	(206,409)	(120,490)
– financing activities	(113,579)	(50,081)
Total	(108,468)	(4,167)

We generated our cash from operating activities primarily from proceeds of our death care services businesses. Our cash used in operating activities is primarily for the development and construction of burial plots, selling and distribution expenses, administrative expenses and other operating expenditures. Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, finance costs, the effects of changes in working capital and taxation. Our net cash generated from operating activities amounted to RMB211.5 million for the Period, representing 27.1% increase as compared to the six months ended June 30, 2015. It mainly included the operating cash inflows before movement in working capital of RMB333.9 million, but partially offset by (i) the increase of other working capital of RMB58.1 million due to the business growth and the settlement of certain payables near Chinese new year, and (ii) income tax paid of RMB64.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, we used net cash in investing activities of RMB206.4 million. It was primarily due to: (i) deposits and advances of RMB21.0 million to acquire new cemeteries and funeral facilities, (ii) our additions to and deposits for property and equipment of approximately RMB31.1 million, mainly in connection with our landscape upgrade in the cemeteries we acquired recent years since IPO and decoration improvement in certain funeral facilities; and (iii) the placement of time deposits of RMB169.0 million. It was partially offset by the interests received of RMB15.2 million during the Period.

Our net cash used in financing activities amounted to RMB113.6 million for the Period. It was primarily due to: (i) final dividends for 2015 paid to the owners of the Company of RMB42.2 million, (ii) dividends paid to non-controlling interests of RMB48 million, (iii) net decrease of bank loans of RMB23.5 million, and (iv) interest paid of approximately RMB4.9 million for our borrowings. It was partially offset by the proceeds received of RMB5.1 million related to the exercise of certain employee share options.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2016, we had bank balances and cash of RMB1,168.3 million (December 31, 2015: RMB1,276.8 million) and time deposits of RMB169.0 million (December 31, 2015: Nil). In the foreseeable future, we expect to fund our capital expenditures, working capital and other capital requirements from the net proceeds from the Global Offering, cash generated from our operations, bank borrowings, and funds from other financing channels.

We had outstanding bank borrowings of RMB144.0 million as at June 30, 2016, within which there are borrowings of RMB60.0 million repayable within one year, RMB21.0 million repayable within two years, RMB21.0 million repayable within three years, RMB20.7 million repayable within four years, and RMB21.3 million repayable within five years. These borrowings were dominated in RMB and were subject to floating interest rates ranged from 4.6% to 4.998% per annum. Meanwhile, Shandong Fu Shou Yuan, one of our subsidiaries, also had an outstanding loan balance of RMB38.2 million as at June 30, 2016, with interest rate of 5.06% per annum, without specific repayment schedule, from its non-controlling shareholder, Shandong World Trade Centre.

In addition, we had bank borrowing facilities of approximately RMB466.0 million committed but not withdrawn as at June 30, 2016. Besides, we had another bank borrowing facility of RMB500 million in renewing process.

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 of June 30, 2016 was 6.5% (December 31, 2015: 7.8%). Our operation has been lightly leveraged because of our good operating cash generating capability. Although we expect that our capital expenditure in the following years will maintain at a high level, we do not estimate our gearing ratio will substantially increase considering the bank balances and cash in hand. Therefore, we are exposed to limited interest rate risk.

CURRENCY RISK

The economic environment in which we operate is the PRC and our functional currency is RMB. However, certain bank balances are denominated in foreign currencies, which exposed us to foreign currency risk. As at June 30, 2016, cash and cash equivalents held in RMB, HK\$ and US\$ accounted for 94.8%, 2.6% and 2.6% respectively, of the total cash and cash equivalents. We believe the current level of bank balances and certain payables denominated in foreign currencies expose us to a limited and manageable foreign currency risk. The management monitors foreign currency exposure by closely monitoring the movement of foreign currency rates.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On January 15, 2016, we entered into a cooperation agreement in relation to the formation of an equity joint venture to invest in and operate a cemetery in Tai'an City of Shandong Province and an investment agreement in relation to the construction and operation of a funeral home in Tai'an City under the "BOT" model with relevant local authorities. A wholly owned subsidiary was set up in the Period to serve as the business vehicle for the funeral home business. The cooperation is currently in the start-up stage.

On February 17, 2016, we entered into a comprehensive cooperation agreement in relation to the formation of an equity joint venture to invest in and operate a cemetery in Bishan District of Chongqing Municipality and the construction of a new funeral home in Bishan District under the "BOT" model with the local government. A jointly invested company was set up in the Period to serve as the business vehicle of the cooperation. The cooperation is currently in the start-up stage.

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2016, we had 1,736 full-time employees (December 31, 2015: 1,627 full-time employees). We offer competitive packages as well as fringe benefits to our staff, in which 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 the necessary skills and are remunerated according to their performance.

CAPITAL COMMITMENT

We had contracted but not provided in the financial statements, for the capital expenditures in respect of acquisition of subsidiaries, land, other investments, property and equipment in an amount of approximately RMB39.4 million as at June 30, 2016. We had also authorized approximately RMB55.5 million for the acquisition of parcels of land in Nanchang City and Changzhou City via our subsidiaries there and planned to provide approximately RMB300 million for the acquisition or construction of new cemeteries and funeral facilities in Xuancheng City, Tai'an City and Bishan District of Chongqing Municipality as discussed above.

We expect our capital expenditure in the following months of the year 2016 and afterwards will maintain at a relatively high level as we are actively seeking for and approached by many industry consolidation opportunities.

ASSETS PLEDGED

As at June 30, 2016, we pledged the 75% equity interest of Wuyuan Wanshoushan Cemetery and 80% equity interest of Changzhou Qifengshan Cemetery to secure certain bank borrowings granted to finance the relevant acquisitions. Except for that, no other assets were pledged or charged.

CONTINGENT LIABILITIES

As previously disclosed, one of our indirect and non-wholly owned subsidiaries, Wuyuan Wanshoushan Cemetery, was involved in a couple of lawsuits as a defendant. During the Period, it was sued in another 3 lawsuits with claims of approximately RMB6 million. There are 9 lawsuits outstanding with claims totaling over RMB44 million, where Wuyuan Wanshoushan Cemetery was charged as a defendant, as at June 30, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

As at the date of this interim report, the above mentioned outstanding proceedings of these lawsuits has not been concluded or finalized. It would not be possible to predict the outcome with certainty and whether they would in the end result in any material adverse impact on the financial position and business operation of the Group. As of the date of this interim report, the Directors are of view that no provision shall necessarily be made according to the legal opinion and the current status of the proceedings.

CEMETERY LANDS AVAILABLE

We derive a substantial portion of our revenue from our burial services, out of which, sale of burial plots represented the largest component of our revenue from burial services. During the Period, we expended land of approximately 18,482 sq.m. to generate revenue from sale of burial plots. Our total saleable area as at June 30, 2016 maintains at approximately 1.59 million sq.m.

When we determine the saleable area of each cemetery, we have already estimated and excluded those areas not for burial plots, such as the land areas in connection with the business centre, office building, landscaping, and main roads. Such estimation may be updated from time to time as our development plan may be improved from time to time.

PROSPECTS

Looking ahead, we will remain an influential player of China's death care service and will continue to take the lead to drive the modernization of the death care business of the PRC, and promote the healthy development of the national death care culture with humanity, charity and environmental protection in mind. We will adhere to our strategic goals, look for suitable growth opportunities, strive for external development, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share. We will also push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business operation, we will consolidate newly acquired businesses and raise their standards on a par with ours. Meanwhile, we will strive to make our cremation business to become an important segment of the Group's business. With much effort to promoting the pre-need contract business 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. 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 in a more steady and sustainable pace, and stay focused on managing Fu Shou Yuan, a living entity that carries memories and emotions, with a view to consistently rewarding our investors with the best returns.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at June 30, 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Shares

Name of Directors	Capacity	Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. BAI Xiaojiang	Interest in a controlled corporation (Note 1)	Long position	96,600,000	4.61%
Mr. WANG Jisheng	Interest in a controlled corporation (Note 2)	Long position	96,600,000	4.61%
Mr. LU Hesheng	Interest in a controlled corporation (Note 3)	Long position	27,600,000	1.32%

Notes:

1. Mr. Bai Xiaojiang is interested in the entire issued share capital of Wish and Catch Limited, which in turn is interested in approximately 4.61% of the issued share capital of the Company.
2. Mr. Wang Jisheng is interested in the entire issued share capital of Peaceful Field Limited, which in turn is interested in approximately 4.61% of the issued share capital of the Company.
3. Mr. Lu Hesheng is interested in the entire issued share capital of Grand Fire Limited, which in turn is interested in approximately 1.32% of the issued share capital of the Company.

(ii) Interest in underlying Shares of share options

The Directors have been granted options under the Share Option Scheme and the Pre-IPO Share Option Scheme, details of which are set out in "Share Option Scheme" and "Pre-IPO Share Option Scheme".

Save as disclosed above, as at June 30, 2016, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on December 3, 2013 and shall be valid and effective for a period of 10 years from that date, subject to early termination by the Company in a general meeting or by the Board. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. Under the Share Option Scheme, the Board may offer to grant an option to any directors or employees, or any advisors, consultants, suppliers, customers or Shareholders of any members of the Group. For the six months ended June 30, 2016, 50,000,000 options were granted by the Company under the Share Option Scheme. As at the date of this interim report, no options granted under the Share Option Scheme were exercised and the total number of Shares available for issue under the Share Option Scheme was 200,000,000 Shares, representing 9.54% of the total issued share capital of the Company.

Set out below are the details of movements in the outstanding options granted under the Share Option Scheme during the six months ended June 30, 2016:

Name of Grantees	Date of grant	Exercise price per Share immediately before the date of grant (HK\$)	Closing price per Share immediately before the date of grant (HK\$)	Options granted on March 24, 2016	Options granted on April 27, 2016	Options outstanding as at January 1, 2016	Options exercised	Options lapsed	Options cancelled	Options outstanding as at June 30, 2016	Exercisable period
							during the six months ended June 30, 2016	during the six months ended June 30, 2016	during the six months ended June 30, 2016		
<i>Directors</i>											
Bai Xiaojiang	August 5, 2014	4.14	4.01	—	—	1,000,000	—	—	—	1,000,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	1,000,000	—	—	—	1,000,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	1,500,000	—	—	—	1,500,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	1,500,000	—	—	—	1,500,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	1,000,000	—	—	—	—	—	1,000,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	1,000,000	—	—	—	—	—	1,000,000	March 24, 2019 to March 23, 2020
	April 27, 2016	5.466	5.57	—	500,000	—	—	—	—	500,000	April 27, 2018 to April 26, 2020
	April 27, 2016	5.466	5.57	—	500,000	—	—	—	—	500,000	April 27, 2019 to April 26, 2020
Tan Leon Li-an	August 5, 2014	4.14	4.01	—	—	200,000	—	—	—	200,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	200,000	—	—	—	200,000	August 5, 2017 to August 4, 2024
	March 24, 2016	5.824	5.54	250,000	—	—	—	—	—	250,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	250,000	—	—	—	—	—	250,000	March 24, 2019 to March 23, 2020
Wang Jisheng	August 5, 2014	4.14	4.01	—	—	1,000,000	—	—	—	1,000,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	1,000,000	—	—	—	1,000,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	1,500,000	—	—	—	1,500,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	1,500,000	—	—	—	1,500,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	1,000,000	—	—	—	—	—	1,000,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	1,000,000	—	—	—	—	—	1,000,000	March 24, 2019 to March 23, 2020
	April 27, 2016	5.466	5.57	—	500,000	—	—	—	—	500,000	April 27, 2018 to April 26, 2020
	April 27, 2016	5.466	5.57	—	500,000	—	—	—	—	500,000	April 27, 2019 to April 26, 2020

OTHER INFORMATION

Name of Grantees	Date of grant	Exercise price per Share (HK\$)	Closing price per Share immediately before the date of grant (HK\$)	Options granted on March 24, 2016	Options granted on April 27, 2016	Options outstanding as at January 1, 2016	Options exercised during the six months ended June 30, 2016	Options lapsed during the six months ended June 30, 2016	Options cancelled during the six months ended June 30, 2016	Options outstanding as at June 30, 2016	Exercisable period
Lin Hung Ming											
(also known as											
Lin Hon Min) (Note 1)	August 5, 2014	4.14	4.01	—	—	200,000	—	(200,000)	—	—	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	200,000	—	(200,000)	—	—	August 5, 2017 to August 4, 2024
Ma Xiang											
	March 24, 2016	5.824	5.54	250,000	—	—	—	—	—	250,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	250,000	—	—	—	—	—	250,000	March 24, 2019 to March 23, 2020
Lu Hesheng											
	August 5, 2014	4.14	4.01	—	—	200,000	—	—	—	200,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	200,000	—	—	—	200,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	250,000	—	—	—	250,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	250,000	—	—	—	250,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	250,000	—	—	—	—	—	250,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	250,000	—	—	—	—	—	250,000	March 24, 2019 to March 23, 2020
Huang James											
Chih-Cheng											
	August 5, 2014	4.14	4.01	—	—	200,000	—	—	—	200,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	200,000	—	—	—	200,000	August 5, 2017 to August 4, 2024
Chen Qunlin											
	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2019 to March 23, 2020
Luo Zhuping											
	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2019 to March 23, 2020

OTHER INFORMATION

Name of Grantees	Date of grant	Exercise price per Share (HK\$)	Closing price per Share immediately before the date of grant (HK\$)	Options granted on March 24, 2016	Options granted on April 27, 2016	Options outstanding as at January 1, 2016	Options exercised	Options lapsed	Options cancelled	Options outstanding as at June 30, 2016	Exercisable period
							during the six months ended June 30, 2016	during the six months ended June 30, 2016	during the six months ended June 30, 2016		
Ho Man	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2019 to March 23, 2020
Wu Jianwei	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2016 to August 4, 2024
	August 5, 2014	4.14	4.01	—	—	100,000	—	—	—	100,000	August 5, 2017 to August 4, 2024
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	150,000	—	—	—	150,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	150,000	—	—	—	—	—	150,000	March 24, 2019 to March 23, 2020
Other employees of the Group (in aggregate)	August 5, 2014	4.14	4.01	—	—	17,600,000	—	—	—	17,600,000	August 5, 2016 to August 4, 2018
	August 5, 2014	4.14	4.01	—	—	17,600,000	—	—	—	17,600,000	August 5, 2017 to August 4, 2018
	March 19, 2015	3.126	3.16	—	—	21,150,000	—	—	—	21,150,000	March 19, 2017 to March 18, 2019
	March 19, 2015	3.126	3.16	—	—	21,150,000	—	—	—	21,150,000	March 19, 2018 to March 18, 2019
	March 24, 2016	5.824	5.54	20,650,000	—	—	—	—	—	20,650,000	March 24, 2018 to March 23, 2020
	March 24, 2016	5.824	5.54	20,650,000	—	—	—	—	—	20,650,000	March 24, 2018 to March 23, 2020
Total				48,000,000	2,000,000	91,600,000	—	(400,000)	—	141,200,000	

Note 1: Lin Hung Ming has resigned as Director on January 12, 2016.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended June 30, 2016.

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on March 10, 2013.

Pursuant to the Pre-IPO Share Option Scheme, the Company granted 57,613,169 options underlying ordinary Shares on August 8, 2013. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme except that:

- (a) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 100,000,000 Shares representing approximately 4.77% of the issued share capital of the Company as at the date of this Interim Report;
- (b) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

Exercise period	Maximum percentage of Shares underlying the options exercisable
From August 8, 2015 to August 7, 2017	50% of the total number of Shares underlying the options granted
From August 8, 2016 to August 7, 2017	50% of the total number of Shares underlying the options granted

- (c) the Pre-IPO Share Option Scheme was valid between March 10, 2013 and December 18, 2013. Save for the options which have been granted before the Listing Date, no further options have been/will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date; and
- (d) each option granted under the Pre-IPO Share Option Scheme has a four-year validity period from August 8, 2013 to August 7, 2017.

As at the date of this Interim Report, options to subscribe for an aggregate of 57,613,169 Shares (representing approximately 2.75% of the total issued share capital of the Company) at an exercise price of RMB0.9 each, which equal to a 63.4% discount to the Offer Price (as defined in the Prospectus), being the mid-point of the Offer Price range stated in the Prospectus, have been granted to 199 participants by the Company at the consideration of HK\$1.00 under the Pre-IPO Share Option Scheme. This included two Directors, seven members of the senior management of the Group (excluding the member of the senior management of the Group who is also a Director receiving options), and 190 other employees of the Group.

As at the date of this Interim Report, a total of 20,703,446 Shares have been issued upon exercise of the options granted under the Pre-IPO Share Option Scheme, and the total number of Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme was 36,909,723 Shares, representing 1.76% of the total issued share capital of the Company.

OTHER INFORMATION

Set out below are the details of the outstanding options granted under the Pre-IPO Share Option Scheme:

Name of Grantees	Date of grant	Exercise price per Share (RMB)	Options outstanding balance as at January 1, 2016	Options granted during the six months ended June 30, 2016	Options exercised during the six months ended June 30, 2016	Options lapsed/ cancelled during the six months ended June 30, 2016	Options outstanding as at June 30, 2016	Exercisable period
<i>Directors</i>								
Bai Xiaojiang	August 8, 2013	0.9	1,726,726	—	—	—	1,726,726	August 8, 2015 to August 7, 2017
	August 8, 2013	0.9	1,726,726	—	—	—	1,726,726	August 8, 2016 to August 7, 2017
Wang Jisheng	August 8, 2013	0.9	1,726,726	—	—	—	1,726,726	August 8, 2015 to August 7, 2017
	August 8, 2013	0.9	1,726,726	—	—	—	1,726,726	August 8, 2016 to August 7, 2017
<i>Substantial Shareholders</i>								
Ge Qiansong (Senior Management)	August 8, 2013	0.9	1,438,938.5	—	1,407,000 ⁽¹⁾	—	31,938.5	August 8, 2015 to August 7, 2017
	August 8, 2013	0.9	1,438,938.5	—	—	—	1,438,938.5	August 8, 2016 to August 7, 2017
<i>Other employees (in aggregate)</i>								
	August 8, 2013	0.9	9,620,748	—	4,609,000 ⁽²⁾	—	5,011,748	August 8, 2015 to August 7, 2017
	August 8, 2013	0.9	23,914,194	—	—	—	23,914,194	August 8, 2016 to August 7, 2017
Total			43,319,723	—	6,016,000	—	37,303,723	

Note 1: The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$5.59.

Note 2: The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$5.55.

Except for the grantees set out above, none of the grantees under the Pre-IPO Share Option Scheme is a connected person of the Group as defined under the Listing Rules.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the Pre-IPO Share Option Scheme during the six months ended June 30, 2016.

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

During the six months ended June 30, 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION

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

As at June 30, 2016, so far as the Directors or the chief executive were aware, the Shareholders, other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
FSG Holding	Beneficial owner	Long position	373,518,000	17.82%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")	Founder of a discretionary trust (Note 1)	Long position	373,518,000	17.82%
Chief Union	Beneficial owner	Long position	483,000,000	23.05%
Fulechuan	Interest in a controlled corporation (Note 2)	Long position	483,000,000	23.05%
Zhongfu	Interest in a controlled corporation (Note 3)	Long position	483,000,000	23.05%
Hongfu	Interest in a controlled corporation (Note 4)	Long position	483,000,000	23.05%
NGO 1	Interest in a controlled corporation (Note 5)	Long position	483,000,000	23.05%
NGO 2	Interest in a controlled corporation (Note 6)	Long position	483,000,000	23.05%
UBS Trustees (BVI) Limited	Trustee	Long position	208,886,000	9.97%
Double Riches	Beneficial owner	Long position	119,445,000	5.70%
Ge Qiansong	Interest in a controlled corporation (Note 7)	Long position	119,445,000	5.70%
Sunshine Life Insurance Co., Ltd* (陽光人壽保險股份有限公司)	Beneficial owner (Note 8)	Long position	151,482,000	7.23%
Sunshine Insurance Group Co., Ltd* (陽光保險集團股份有限公司)	Interest in a controlled corporation (Note 8)	Long position	151,482,000	7.23%

* For identification purpose only

OTHER INFORMATION

Notes:

1. Mr. Tan Tize Shune (also known as “Tan Chih Chun”), the father of Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan Tize Shune is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Accordingly, Mr. Tan Tize Shune is deemed or taken to be interested in approximately 17.82% of the issued share capital of the Company in which FSG Holding is interested in.
2. Chief Union is a direct wholly-owned subsidiary of Fulechuan and Fulechuan is deemed or taken to be interested in approximately 23.05% of the issued share capital of the Company in which Chief Union is interested in.
3. Fulechuan is a direct wholly-owned subsidiary of Zhongfu and Zhongfu is deemed or taken to be interested in approximately 23.05% of the issued share capital of the Company in which Chief Union is interested in.
4. Zhongfu is a direct wholly-owned subsidiary of Hongfu and Hongfu is deemed or taken to be interested in approximately 23.05% of the issued share capital of the Company in which Chief Union is interested in.
5. Hongfu is owned by NGO 1 as to 50% and NGO 1 is deemed or taken to be interested in approximately 23.05% of the issued share capital of the Company in which Chief Union is interested in.
6. Hongfu is owned by NGO 2 as to 50% and NGO 2 is deemed or taken to be interested in approximately 23.05% of the issued share capital of the Company in which Chief Union is interested in.
7. Ge Qiansong is interested in approximately 34.66% of the issued share capital of Double Riches and therefore Ge Qiansong is deemed or taken to be interested in approximately 5.70% of the issued share capital of the Company in which Double Riches is interested in.
8. Sunshine Insurance Group Co., Ltd is interested in approximately 99.99% of the issued share capital of Sunshine Life Insurance Co., Ltd and therefore Sunshine Insurance Group Co., Ltd is deemed or taken to be interested in approximately 7.23% of the issued share capital of the Company in which Sunshine Life Insurance Co., Ltd is interested in.

Save as disclosed above, as at June 30, 2016, so far as the Directors were aware, no other persons (other than the Directors or chief executives) had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended June 30, 2016.

No incident of non-compliance with the Model Code by the Directors was noted by the Company during the six months ended June 30, 2016.

OTHER INFORMATION

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

There is no change in the Directors' information, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering of the Company's Shares (after the exercise of the Over-allotment Option (as defined in the Prospectus)), excluding Listing related expenses, amounted to approximately HK\$1,758.9 million. As of June 30, 2016, we had used approximately HK\$160.7 million towards acquiring new lands, approximately HK\$22.1 million to set up new funeral facilities, approximately HK\$997.5 million for mergers and acquisitions of other cemeteries and funeral facilities in the PRC, and approximately HK\$40.0 million to expand our sales network. The remaining net proceeds are intended to be applied in the manner consistent with that set out in the Prospectus and relevant announcements made afterwards.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.57 cents per Share for the six months ended June 30, 2016. The interim dividend is expected to be payable to the Shareholders on or before Friday, September 23, 2016. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, September 2, 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, August 30, 2016 to Friday, September 2, 2016, both dates inclusive, during which period no transfer of Shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, August 29, 2016.

CORPORATE GOVERNANCE

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 set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of opinion that the Company has complied with the code provisions as set out in the CG Code throughout the six months ended June 30, 2016.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The unaudited condensed consolidated financial report of the Group for the six months ended June 30, 2016 has been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 —“Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor will be included in the Interim Report of the Company to be despatched to the Shareholders.

The Audit Committee of the Company, comprising two independent non-executive Directors, namely, Mr. Ho Man (Chairman of the Audit Committee) and Mr. Luo Zhuping, and one non-executive Director, namely, Mr. Huang James Chih-Cheng, has reviewed together with the management the accounting principles and policies adopted by the Group, and the Group’s unaudited interim results for the six months ended June 30, 2016.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, there was no other significant events that might affect the Group since the end of the six months ended June 30, 2016.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FU SHOU YUAN INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Fu Shou Yuan International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 59 which comprise the condensed consolidated statement of financial position as of June 30, 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 12, 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2016

		For the six months ended June 30	
NOTES	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	
Revenue	5	641,541	587,613
Cost of sales and services		<u>(135,190)</u>	<u>(128,390)</u>
Gross profit		506,351	459,223
Other income and gains, net	6	26,010	28,584
Distribution and selling expenses		<u>(101,699)</u>	<u>(97,591)</u>
Administrative expenses		<u>(130,486)</u>	<u>(117,108)</u>
Finance costs	7	<u>(5,188)</u>	<u>(4,460)</u>
Profit before taxation	8	294,988	268,648
Income tax expense	9	<u>(61,858)</u>	<u>(67,879)</u>
Profit and total comprehensive income for the period		<u><u>233,130</u></u>	<u><u>200,769</u></u>
Profit and total comprehensive income attributable to:			
Owners of the Company		177,930	158,827
Non-controlling interests		<u>55,200</u>	<u>41,942</u>
		<u><u>233,130</u></u>	<u><u>200,769</u></u>
		RMB cents	RMB cents
Earnings per share – Basic	11	<u><u>8.5</u></u>	<u><u>7.7</u></u>
– Diluted	11	<u><u>8.3</u></u>	<u><u>7.5</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2016

	NOTES	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Non-current assets			
Property and equipment	12	376,434	361,314
Intangible assets		14,100	14,388
Prepaid lease payments		20,585	20,029
Deposits paid for acquisition of land use rights		1,872	60,157
Cemetery assets	13	1,086,604	1,048,331
Restricted deposits	14	31,004	28,632
Investment in a joint venture		30,000	30,000
Deposit for acquisition of a subsidiary	15	50,701	38,001
Other long-term assets	16	14,100	14,400
Deferred tax assets	17	31,186	29,523
Goodwill		267,661	267,661
		<u>1,924,247</u>	<u>1,912,436</u>
Current assets			
Inventories	18	374,404	339,522
Trade and other receivables	19	55,139	34,846
Time deposits	20	169,000	—
Bank balances and cash	21	1,168,293	1,276,761
		<u>1,766,836</u>	<u>1,651,129</u>
Current liabilities			
Trade and other payables	22	247,302	277,908
Deferred income	24	16,814	15,694
Income tax liabilities		127,088	126,059
Borrowings	23	59,950	63,450
		<u>451,154</u>	<u>483,111</u>
Net current assets		<u>1,315,682</u>	<u>1,168,018</u>
Total assets less current liabilities		<u>3,239,929</u>	<u>3,080,454</u>
Non-current liabilities			
Deferred income	24	213,391	198,450
Loans from non-controlling interests	29	38,173	38,173
Borrowings	23	84,020	104,020
Deferred tax liabilities	17	88,280	90,042
		<u>423,864</u>	<u>430,685</u>
Net assets		<u>2,816,065</u>	<u>2,649,769</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2016

	NOTES	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Capital and reserves			
Share capital	25	126,995	126,601
Reserves		<u>2,268,064</u>	<u>2,109,328</u>
Equity attributable to owners of the Company		2,395,059	2,235,929
Non-controlling interests		<u>421,006</u>	<u>413,840</u>
Total equity		<u>2,816,065</u>	<u>2,649,769</u>

The condensed consolidated financial statements on page 28 to 59 were approved and authorized for issue by the Board of Directors on August 12, 2016 and are signed on its behalf by:

Bai Xiaojiang
DIRECTOR

Wang Jisheng
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Share capital	Share premium	Special reserve	Statutory surplus reserve	Other reserve	Share option reserve	Retained profits	Subtotal attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 31, 2015 (Audited)	125,689	1,243,174	84,667	75,487	26,784	26,745	400,727	1,983,273	229,039	2,212,312
Profit and total comprehensive income for the period	—	—	—	—	—	—	158,827	158,827	41,942	200,769
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	24,555	24,555
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	113,857	113,857
Dividends recognized as distributions	—	—	—	—	—	—	(32,423)	(32,423)	—	(32,423)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(57,200)	(57,200)
Share based compensation	—	—	—	—	—	15,345	—	15,345	—	15,345
At June 30, 2015 (Unaudited)	125,689	1,243,174	84,667	75,487	26,784	42,090	527,131	2,125,022	352,193	2,477,215
Profit and total comprehensive income for the period	—	—	—	—	—	—	125,617	125,617	38,782	164,399
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	24,169	24,169
Dividends recognized as distributions	—	(72,919)	—	—	—	—	32,423	(40,496)	—	(40,496)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(1,304)	(1,304)
Transfer to statutory reserve	—	—	—	16,419	—	—	(16,419)	—	—	—
Exercise of share options	912	20,278	—	—	—	(9,429)	—	11,761	—	11,761
Share based compensation	—	—	—	—	—	14,025	—	14,025	—	14,025
At December 31, 2015 (Audited)	126,601	1,190,533	84,667	91,906	26,784	46,686	668,752	2,235,929	413,840	2,649,769
Profit and total comprehensive income for the period	—	—	—	—	—	—	177,930	177,930	55,200	233,130
Acquisition of non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(34)	(34)
Exercise of share options	394	8,659	—	—	—	(3,969)	—	5,084	—	5,084
Dividends recognized as distributions	—	(42,244)	—	—	—	—	—	(42,244)	—	(42,244)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(48,000)	(48,000)
Share based compensation	—	—	—	—	—	18,360	—	18,360	—	18,360
At June 30, 2016 (Unaudited)	126,995	1,156,948	84,667	91,906	26,784	61,077	846,682	2,395,059	421,006	2,816,065

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

	For the six months ended June 30,	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	294,988	268,648
Adjustments for:		
Finance costs	5,188	4,460
Interest income	(17,907)	(19,401)
Depreciation of property and equipment	14,893	11,292
Amortization of cemetery assets	17,506	13,832
Amortization of intangible assets and prepaid lease payments	557	404
Amortization of other long-term assets	300	—
Net gain on disposal of property and equipment	(64)	(162)
Expense recognized in respect of equity-settled share based payments	18,360	15,345
Operating cash flows before movements in working capital	333,821	294,418
Increase in restricted deposits	(2,372)	(3,270)
(Decrease) increase in cemetery assets and inventories	(33,129)	1,558
Increase in trade and other receivables	(8,407)	(26,957)
Decrease in trade and other payables	(30,199)	(69,868)
Increase in deferred income	16,061	15,272
Cash generated from operations (note)	275,775	211,153
Income taxes paid	(64,255)	(44,749)
NET CASH GENERATED FROM OPERATING ACTIVITIES	211,520	166,404
INVESTING ACTIVITIES		
Additions to and deposits paid for property and equipment	(31,116)	(34,412)
Purchase of intangible assets	(72)	(151)
Proceeds on disposal of property and equipment	491	232
Performance bond for a new project	(8,261)	—
Deposit for acquisition of a subsidiary	(12,700)	(25,970)
Acquisition of subsidiaries	—	(76,725)
Interest received	15,171	18,936
Advance of a entrusted loan	(888)	(2,400)
Acquisition of non-controlling interests of a subsidiary	(34)	—
Placement of time deposits	(169,000)	—
NET CASH USED IN INVESTING ACTIVITIES	(206,409)	(120,490)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

	For the six months ended June 30,	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	—	69,610
Repayment of bank borrowings	(23,500)	(42,950)
Capital contribution from non-controlling interest	—	24,555
Repayments to non-controlling interests	—	(23,397)
Interest paid	(4,919)	(3,476)
Dividends paid to non-controlling interests	(48,000)	(42,000)
Dividends paid to owners of the Company	(42,244)	(32,423)
Proceeds from exercise of share options	5,084	—
NET CASH USED IN FINANCING ACTIVITIES	(113,579)	(50,081)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(108,468)	(4,167)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,276,761	1,296,757
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	1,168,293	1,292,590

note: Included in the cash flow from operating activities for the six months ended June 30, 2016 are payments for acquisition of cemetery assets amounting to approximately RMB12,023,000 (for the six months ended June 30, 2015: RMB7,935,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

1. GENERAL

Fu Shou Yuan International Group Limited (the “Company”) is a limited company incorporated on January 5, 2012 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands, and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on December 19, 2013. The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the provision of burial services, funeral services and auxiliary services.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION OF CONDENSED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidation financial statements for the six months ended June 30, 2016 are the same as those followed in the preparation of the Group’s annual financial statement for the year ended December 31, 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

– continued

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards (“IFRS”) that are mandatorily effective for the current interim period.

Except as described below, the application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Group has applied the Annual Improvements to IFRSs 2012-2014 Cycle for the first time in the current interim period, which include a number of amendments to various IFRSs as summarised below.

The amendments to IAS 34 clarify the meaning of information contained elsewhere in the interim financial report. The amendments state that various disclosures should be given either in the interim financial statements or be incorporated by cross-reference from the interim financial statements to some other statement (such as management discussion and analysis) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ⁵
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to IAS 1	Disclosure Initiative ⁴
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to IFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁴
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to IAS 7	Disclosure Initiative ⁶
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁶

¹ Effective for annual periods beginning on or after January 1, 2018

² Effective for first annual HKFRS financial statements beginning on or after January 1, 2016

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after January 1, 2016

⁵ Effective for annual periods beginning on or after a date to be determined

⁶ Effective for annual periods beginning on or after January 1, 2017

The directors of the Company do not anticipate that the application of the above new or revised IFRSs will have any significant impact on the Group’s financial results and financial.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's financial instruments, including the loans and receivables (including trade and other receivables, bank balances and cash, restricted deposits and time deposits) and financial liabilities (including trade and other payables, borrowings and loans from non-controlling interests), are recorded at amortized cost. The directors of the Company (the "Directors") consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

5. SEGMENT INFORMATION

Information reported to the Group's President being the Group's chief operating decision maker, for the purpose of making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided.

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

- i. Burial services - sale of burial plots and provision of cemetery maintenance services.
- ii. Funeral services - planning of funeral arrangement and interment to the organization and hosting of the funeral.
- iii. Auxiliary services - provision of landscape and garden design services, and production and sales of cremation machines and the related maintenance service.

Segment revenues and results

	Burial services							
	Cemetery			Funeral services	Auxiliary services	Segment total	Eliminated	Total
	Sale of burial plots	maintenance services	Sub-total					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<i>For the six months ended June 30, 2016:</i>								
External Sales	561,928	8,228	570,156	70,071	1,314	641,541	—	641,541
Inter-segment sales	—	—	—	—	1,611	1,611	(1,611)	—
Total	561,928	8,228	570,156	70,071	2,925	643,152	(1,611)	641,541
Segment profit	461,673	545	462,218	43,761	620	506,599	(248)	506,351
Other income and gains, net								26,010
Distribution and selling expenses								(101,699)
Administrative expenses								(130,486)
Finance costs								(5,188)
Profit before taxation								294,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

5. SEGMENT INFORMATION – *continued*

Segment revenues and results – *continued*

	Burial services					Total RMB'000
	Sale of burial plots RMB'000	Cemetery		Funeral services RMB'000	Auxiliary services RMB'000	
		maintenance services RMB'000	Sub-total RMB'000			
<i>For the six months ended June 30, 2015:</i>						
Segment revenue	508,492	7,509	516,001	67,582	4,030	587,613
Segment profit (loss)	410,192	1,726	411,918	48,534	(1,229)	459,223
Other income and gains, net						28,584
Distribution and selling expenses						(97,591)
Administrative expenses						(117,108)
Finance costs						(4,460)
Profit before taxation						<u>268,648</u>

The accounting policies of the operating segments are similar to those of the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income and gains, net, distribution and selling expenses, administrative expenses and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the Group's chief operating decision maker.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

6. OTHER INCOME AND GAINS, NET

	For the six months ended June 30,	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Other income:		
Interest income on bank deposits	17,907	19,401
Management service income	1,304	3,084
Government grants	4,810	5,852
	24,021	28,337
Net gains and losses:		
Net gain on disposal of property and equipment	64	162
Donation	(40)	(26)
Exchange gain	1,752	93
Others	213	18
	1,989	247
Other income and gains, net	26,010	28,584

7. FINANCE COSTS

	For the six months ended June 30,	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest expense on bank borrowings	4,221	2,330
Interest expense on loans from non-controlling interests (Note 29)	967	2,130
Total finance costs	5,188	4,460

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs, including Directors' remuneration:		
Salaries, wages, bonus and other benefits	115,668	104,468
Retirement benefits scheme contributions	7,309	6,619
Share based payments expenses	18,360	15,345
Total staff costs	141,337	126,432
Auditors' remuneration	1,000	1,000
Depreciation of property and equipment	14,893	11,292
Cost of inventories recognized as an expense	78,622	74,868
Amortization of intangible assets and prepaid lease payments (included in administrative expenses)	557	404
Amortization of cemetery assets (included in cost of sales and services)	17,506	13,832
Operating lease rentals	5,016	5,923

9. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("PRC EIT")	70,628	67,717
Over provision in prior years	(5,345)	—
Deferred tax (Note 17)	(3,425)	162
	61,858	67,879

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

9. INCOME TAX EXPENSE – *continued*

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

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), Chongqing Anle Services Company Limited (“Chongqing Anle Services”) and Chongqing Anle Funeral Services Company Limited (“Chongqing Anle Funeral Services”), two 100% owned subsidiaries of the Group, and Chongqing Baitayuan Funeral and Burial Development Co., Ltd. (“Chongqing Baitayuan”), a 60% owned subsidiary of the Group, which are located in specific province of Western China and engaged in specific encouraged industry, enjoy a preferential tax rate of 15% under EIT Law.

The preferential tax rate for Chongqing Anle Services, Chongqing Anle Funeral Services and Chongqing Baitayuan is effective until 2020.

FSY Hong Kong is subject to Hong Kong profit tax at a rate of 16.5%. No Hong Kong profit tax has been provided as the Group did not have assessable profit earned in or derived from Hong Kong during the six months period ended June 30, 2016 and 2015.

10. DIVIDENDS

	For the six months ended June 30,	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Dividends for ordinary shareholder of the Company recognized as distribution during the period 2015 Final - HK2.39 cents (2015: 2014 final dividend - HK1.95 cents) per share	<u>42,244</u>	<u>32,423</u>

Subsequent to the end of the current interim period, the Board has declared that an interim dividend of HK2.57 cents per Share (2015: HK2.39 cents) will be paid to the Shareholders of the Company whose names appear in the Register of Members at the close of business on September 2, 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

11. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2016 (Unaudited)	2015 (Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	<u>177,930</u>	<u>158,827</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,090,150,768</u>	2,075,000,000
Effect of dilutive potential ordinary shares: Share options	<u>65,424,502</u>	<u>39,367,501</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,155,575,270</u></u>	<u><u>2,114,367,501</u></u>

The computation of diluted earnings per share for the six months ended June 30, 2015 and 2016 does not assume the exercise of some of the Company's options because their exercise would result in an increase in earnings per share attributable to the owners of the Company.

12. PROPERTY AND EQUIPMENT

During the period, the Group acquired property and equipment of approximately RMB30,440,000 (six months ended June 30, 2015: RMB84,681,000, among which RMB53,025,000 was acquired through acquisition of subsidiaries for business expansion).

During the period, the Group disposed of property, plant and equipment with carrying amount of approximately RMB427,000 (six months ended June 30, 2015: RMB70,000) for cash proceeds of approximately RMB491,000 (six months ended June 30, 2015: RMB232,000 resulting in a gain on disposal of approximately RMB64,000 (six months ended June 30, 2015: RMB162,000).

As at June 30, 2016, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB52,167,000 (December 31, 2015: RMB83,150,000) had not been obtained.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

13. CEMETERY ASSETS

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Land costs	722,078	664,717
Landscape facilities	149,896	151,478
Development cost	214,630	232,136
	<u>1,086,604</u>	<u>1,048,331</u>

14. RESTRICTED DEPOSITS

Restricted deposits represent the deposits which are placed in designated joint named bank accounts with local funeral associations and carry variable-rate interest by reference to the People's Bank of China benchmark rate. In accordance with the requirements of local authorities, the balances are provided based on certain percentages of cemetery sales of certain subsidiaries for the use of cemetery maintenance. The restricted deposits can be drawn annually with a cap based on the certain percentages of cemetery maintenance costs incurred in the preceding year.

15. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

In December 2014, the Group entered into an agreement to acquire 100% equity interest in Zaozhuang Shanting Xingtai Funeral Service Co., Ltd (棗莊市山亭興泰殯儀服務有限公司) ("Shanting Xingtai"). Pursuant to the agreement, the Group shall acquire 100% equity interest in Shanting Xingtai for a cash consideration of RMB5,000,000, and the Group shall pay an aggregate amount of RMB54,800,000 to the existing shareholders of Shanting Xingtai to settle the outstanding indebtedness owed to them by Shanting Xingtai. Up to June 30, 2016, the Group had advanced to the shareholders of Shanting Xingtai approximately RMB50,701,000 (December 31, 2015: RMB38,001,000) as a deposit for the acquisition.

According to the agreements for acquisition of Shanting Xingtai, the consideration or deposit paid is refundable if the other parties of the contract cannot fulfill their obligations pursuant to the agreement terms.

The principal activity of Shanting Xingtai would be sales of burial plots.

16. OTHER LONG-TERM ASSETS

Other long-term assets mainly represent contract fee prepaid to a third party in accordance with a management service agreement, pursuant to which the Group entitles to provide management service to a cemetery owned by the third party, and to gain earnings from the services provided. The prepayments are amortized over the agreed service period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

17. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized by the Group and movements thereon during the six months ended June 30, 2016:

	Deferred income RMB'000	Tax losses RMB'000	Payroll and welfare payable RMB'000	Fair value adjustment RMB'000 Note	Total RMB'000
At January 1, 2015 (audited)	20,073	474	13,176	(67,364)	(33,641)
Acquisition of subsidiaries	—	327	1,000	(15,539)	(14,212)
Credit (charge) to profit or loss	2,528	(22)	(4,803)	2,135	(162)
At June 30, 2015 (unaudited)	22,601	779	9,373	(80,768)	(48,015)
Acquisition of subsidiaries	—	—	—	(14,157)	(14,157)
Credit (charge) to profit or loss	828	3,387	(7,445)	4,883	1,653
At December 31, 2015 (audited)	23,429	4,166	1,928	(90,042)	(60,519)
Credit (charge) to profit or loss	3,591	—	(1,928)	1,762	3,425
At June 30, 2016 (unaudited)	27,020	4,166	—	(88,280)	(57,094)

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

For the purpose of presentation in the condensed consolidated statement of financial position, deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same legal entity and fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Deferred tax assets	31,186	29,523
Deferred tax liabilities	(88,280)	(90,042)
	(57,094)	(60,519)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

18. INVENTORIES

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Burial Plots	254,737	237,530
Tombstone	89,325	81,063
Others	30,342	20,929
	374,404	339,522

19. TRADE AND OTHER RECEIVABLES

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Trade receivable	8,622	9,622
Other receivables comprise:		
Prepayments and rental deposits on properties	4,969	1,853
Staff advances	3,823	1,420
Performance bond for a new project	8,261	—
Entrusted loans (note)	17,098	16,210
Others	12,366	5,741
	46,517	25,224
	55,139	34,846

Note: The Group has advanced loans amounting to RMB14,400,000 (December 31, 2015: RMB14,400,000) to a cemetery for which the Group is providing management service and advanced loans of RMB2,698,000 (December 31, 2015 RMB1,810,000) to Shanting Xingtai, an entity in which the Group is going to acquire 100% equity interest, for its working capital purpose.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

19. TRADE AND OTHER RECEIVABLES – *continued*

The aging analysis of trade receivable presented based on the invoice date at the end of reporting period is as follows:

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
181 - 360 days	—	9,622
Over 360 days	8,622	—
	8,622	9,622

The Group ordinarily demands its customers for full cash settlement prior to or upon the delivery of burial services, funeral services and auxiliary services and therefore the Group does not maintain any material trade receivable. The amount of the Group's trade receivable as at June 30, 2016 and December 31, 2015, derived from the transaction related to the tomb relocation funded by local government in Henan Province. In determining the recoverability of the trade receivable, the Group reassesses any change in the credit quality of the trade receivable since the credit was granted and up to the date of this interim report. After reassessment, the Directors of the Company are of the view that no allowance is required.

20. TIME DEPOSITS

As of June 30, 2016, the Group had fixed-term deposits of RMB169,000,000 in banks in the PRC with maturity of one year ("Time Deposits"). The Time Deposits carry fixed interests rate of from 3% to 3.54% per annum.

21. BANK BALANCES AND CASH

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Interest rate per annum		
– RMB	0.3%-5.55%	0.35%-4.25%
– HK\$	0.01%	0.01%
– US\$	0.05%	0.05%

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

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
HK\$	30,545	72,280
US\$	30,762	30,781
	61,307	103,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

22. TRADE AND OTHER PAYABLES

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Trade payables	<u>95,829</u>	<u>99,405</u>
Other payables comprise:		
Advances and deposits from customers	25,278	31,221
Payables for acquisition of property and equipment	5,223	1,380
Salary, welfare and bonus payables	65,449	85,273
Other accrued expenses	12,077	13,909
Consideration for acquisition of a subsidiary	11,140	11,140
Others	<u>32,306</u>	<u>35,580</u>
	<u>247,302</u>	<u>277,908</u>

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

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
0 - 90 days	30,660	41,981
91 - 180 days	13,088	19,025
181 - 360 days	36,918	19,875
Over 360 days	<u>15,163</u>	<u>18,524</u>
	<u>95,829</u>	<u>99,405</u>

The average credit period on purchases of goods is 181 to 360 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

23. BORROWINGS

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Bank borrowings		
– Secured by the Group's equity interest in subsidiaries	104,020	122,520
– Guaranteed by an independent third party	—	5,000
– Unsecured	39,950	39,950
	143,970	167,470
The carrying amounts of the above borrowings are repayable*:		
Within one year	59,950	63,450
More than one year, but not exceeding two years	21,000	20,500
More than two years but not exceeding five years	56,660	59,660
More than five years	6,360	23,860
	143,970	167,470
Less: amounts due within one year shown under current liabilities	(59,950)	(63,450)
Amounts shown under non-current liabilities	84,020	104,020

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings carried interest at 4.60% to 4.998% per annum (December 31, 2015: 4.60% to 6.61%).

The carrying amounts of the Group's assets that were secured against the Group's borrowings are set out below:

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Net book value of the Group's equity interest in a subsidiary	114,859	109,698

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

24. DEFERRED INCOME

Deferred income represents the portion of the 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.

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Carrying amount analyzed as:		
Amounts shown under current liabilities	16,814	15,694
Amounts shown under non-current liabilities	213,391	198,450
	<u>230,205</u>	<u>214,144</u>

During the six-month period ended June 30, 2016, the Group generated revenue from the provision of cemetery maintenance services in the amount of approximately RMB8,228,000 (six-month period ended June 30, 2015: RMB7,509,000).

25. SHARE CAPITAL

	Number of shares	Amount US\$	
Ordinary shares of US\$0.01 each			
Authorized:			
At June 30, 2016, December 31, 2015 and January 1, 2015	<u>20,000,000,000</u>	<u>200,000,000</u>	
Issued and fully paid:			
	Number of shares	Amount US\$	Shown in the Financial Information as RMB'000
At January 1, 2015 (Audited),			
June 30, 2015 (Unaudited)	2,075,000,000	20,750,000	125,689
Exercise of share options (Note 26)	<u>14,293,446</u>	<u>142,934</u>	<u>912</u>
At December 31, 2015 (Audited)	2,089,293,446	20,892,934	126,601
Exercise of share options (Note 26)	<u>6,016,000</u>	<u>60,160</u>	<u>394</u>
At June 30, 2016 (Unaudited)	<u>2,095,309,446</u>	<u>20,953,094</u>	<u>126,995</u>

All the shares issued by the Company ranked pari passu in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION

Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on March 10, 2013 for the primary purpose of motivating participants to optimise their performance and efficiency, and retaining the guarantees whose contributions are important to the Group's long-term growth and development. Under the Pre-IPO Share Option Scheme, the Directors may grant up to 100,000,000 share options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

On August 8, 2013, 57,613,169 share options under the Pre-IPO Share Option Scheme were granted to the Directors and employees of the Group under the following terms:

- (1) All options granted are at an exercise price of HK\$1 per share.
- (2) All options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manners:

Exercise Period	Maximum percentage of share underlying the option exercisable
From August 8, 2015 to August 7, 2017	50% of the total number of shares underlying the options granted.
From August 8, 2016 to August 7, 2017	50% of the total number of shares underlying the options granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Pre-IPO Share Option Scheme – *continued*

Set out below are details of movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the six months period ended June 30, 2016:

	Date of grant	Exercise price per Share (HKD)	Options outstanding balance as at January 1, 2016	Number of options			Options outstanding as at June 30, 2016
				Issued during the six months ended June 30, 2016	Exercised during the six months ended June 30, 2016	Forfeited during the six months ended June 30, 2016	
Directors							
Bai Xiaojiang	August 8, 2013	1	3,453,452	—	—	—	3,453,452
Wang Jisheng	August 8, 2013	1	3,453,452	—	—	—	3,453,452
			6,906,904	—	—	—	6,906,904
Other employees	August 8, 2013	1	36,412,819	—	6,016,000	—	30,396,819
Total			<u>43,319,723</u>	<u>—</u>	<u>6,016,000</u>	<u>—</u>	<u>37,303,723</u>
Exercisable at June 30, 2016			<u>14,513,138</u>				<u>14,513,138</u>
Weighted average exercise price (HK\$)			<u>1</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>

The estimated fair value of share options granted was approximately RMB37,849,413, which was calculated using the Binomial model. The Group recognised the total expense of approximately RMB3,141,000 (for the six months period end June 30, 2015: RMB7,892,000) for the six months period ended 2016 in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme

The Company adopted a share option scheme on December 3, 2013 (the “Share Option Scheme”) which shall be valid and effective for a period of 10 years from that date, subject to early termination by the Company in a general meeting or by the Directors. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. Under the Share Option Scheme, the Directors may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or shareholder of any member of the Group (the “Eligible Participants”).

Granted on August 5, 2014

On August 5, 2014, the Company granted 42,000,000 share options (the “Share Option A”) to the Directors and employees of the Group under the following terms:

- (1) All Share Option A granted are at an exercise price of HK\$4.14 per share.
- (2) All Share Option A granted to the employees under the Share Option Scheme can only be exercised in the following manners:

Exercise Period	Maximum percentage of share underlying the option exercisable
From August 5, 2016 to August 4, 2018	50% of the total number of shares underlying the options granted.
From August 5, 2017 to August 4, 2018	50% of the total number of shares underlying the options granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme – *continued*

Granted on August 5, 2014 - continued

- (3) All Share Option A granted to Directors under the Share Option Scheme can only be exercised in the following manners:

Exercise Period	Maximum percentage of share underlying the option exercisable
From August 5, 2016 to August 4, 2024	50% of the total number of shares underlying the options granted.
From August 5, 2017 to August 4, 2024	50% of the total number of shares underlying the options granted.

The fair value of the Options A granted to Directors and employees at grant date are HK\$1.27 per share and HK\$0.78 per share respectively, which is determined using a binomial option pricing model. The inputs into the model were as follows:

	Employee	Directors
Share price	HK\$4.14	HK\$4.14
Exercise price	HK\$4.14	HK\$4.14
Expected volatility	24.4%	24.4%
Option life	4 years	10 years
Dividend yield	1%	1%
Risk-free interest rate	1.1365%	2.0520%
Forfeiture rate	5%	—

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity on August 5, 2018 as of the date of grant.

Granted on March 19, 2015

On March 19, 2015, the Company granted 50,000,000 share options (the “Share Option B”) to the Directors and employees of the Group under the following terms:

- (1) All Share Option B granted are at an exercise price of HK\$3.126 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme – *continued*

Granted on March 19, 2015 – continued

(2) All Share Option B granted can only be exercised in the following manners:

Exercise Period	Maximum percentage of share underlying the option exercisable
From March 19, 2017 to March 18, 2019	50% of the total number of shares underlying the options granted.
From March 19, 2018 to March 18, 2019	50% of the total number of shares underlying the options granted.

The fair value of the Option B at grant date is HK\$0.47 per share, representing RMB18,020,000 in total, which is determined using a binomial option pricing model. The inputs into the model were as follows:

Grant date share price	HK\$3.10
Exercise price	HK\$3.126
Expected volatility	21.43%
Option life	4 years
Dividend yield	1.67%
Risk-free interest rate	1.08%
Forfeiture rate	4.20%

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity on March 19, 2019 as of the date of grant.

Granted on March 24, 2016

On March 24, 2016, the Company granted 48,000,000 share options (the “Share Option C”) to the Directors and employees of the Group under the following terms:

- (1) All Share Option C granted are at an exercise price of HK\$5.824 per share.
- (2) All Share Option C granted can only be exercised in the following manners:

Exercise Period	Maximum percentage of share underlying the option exercisable
From March 24, 2018 to March 23, 2020	50% of the total number of shares underlying the options granted.
From March 24, 2019 to March 23, 2020	50% of the total number of shares underlying the options granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme – *continued*

Granted on March 24, 2016 – continued

(2) All Share Option C granted can only be exercised in the following manners: - continued

The fair value of the Option C at grant date is HK\$1.21 per share, representing RMB48,592,000 in total, which is determined using a binomial option pricing model. The inputs into the model were as follows:

Grant date share price	HK\$5.52
Exercise price	HK\$5.824
Expected volatility	34.34%
Option life	4 years
Dividend yield	2%
Risk-free interest rate	0.99%
Forfeiture rate	3.8%

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity on March 24, 2020 as of the date of grant.

Granted on May 16, 2016

On May 16, 2016, the shareholders approved the grant of 2,000,000 share options that the Board of the Directors resolved to grant subject to and conditional upon the approval by the shareholders (the “Share Option D”) to the Directors of the Group under the following terms:

- (1) All Share Option D granted are at an exercise price of HK\$5.466 per share.
- (2) All Share Option D granted can only be exercised in the following manners:

Exercise Period	Maximum percentage of share underlying the option exercisable
From April 27, 2018 to April 26, 2020	50% of the total number of shares underlying the options granted.
From April 27, 2019 to April 26, 2020	50% of the total number of shares underlying the options granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme – *continued*

Granted on May 16, 2016 – continued

The fair value of the Option D at grant date is HK\$1.32 per share, representing RMB2,207,000 in total, which is determined using a binomial option pricing model. The inputs into the model were as follows:

Grant date share price	HK\$5.460
Exercise price	HK\$5.466
Expected volatility	33.6%
Option life	4 years
Dividend yield	2%
Risk-free interest rate	0.86%
Forfeiture rate	—

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity on April 27, 2020 as of the date of grant.

Expected volatility was determined based on the historical share price volatility since one month after initial public offering. The suboptimal exercise multiple used in the model represents the estimated ratio of future share price over the exercise price when the grantees will exercise the options and has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Set out below are details of movements of the outstanding options in relation to Share Option A, Share Option B, Share Option C and Share Option D granted under the Share Option Scheme during the six months period ended June 30, 2016:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme – *continued*

	Date of grant	Exercise price per Share (HK\$)	Options outstanding balance as at January 1, 2016	Number of options			Options outstanding as at June 30, 2016
				Issued during the six months ended June 30, 2016	Exercised during the six months ended June 30, 2016	Forfeited during the six months ended June 30, 2016	
Directors							
Bai Xiaojiang	August 5, 2014	4.14	2,000,000	—	—	—	2,000,000
	March 19, 2015	3.126	3,000,000	—	—	—	3,000,000
	March 24, 2016	5.824	—	2,000,000	—	—	2,000,000
	May 16, 2016	5.466	—	1,000,000	—	—	1,000,000
Wang Jisheng	August 5, 2014	4.14	2,000,000	—	—	—	2,000,000
	March 19, 2015	3.126	3,000,000	—	—	—	3,000,000
	March 24, 2016	5.824	—	2,000,000	—	—	2,000,000
	May 16, 2016	5.466	—	1,000,000	—	—	1,000,000
Tan Leon Li-an	August 5, 2014	3.126	400,000	—	—	—	400,000
	March 24, 2016	5.824	—	500,000	—	—	500,000
Ma Xiang (Note a)	March 24, 2016	5.824	—	500,000	—	—	500,000
Lin Hung Ming (Note b)	August 5, 2014	4.14	400,000	—	—	(400,000)	—
Lu Hesheng	August 5, 2014	4.14	400,000	—	—	—	400,000
	March 19, 2015	3.126	500,000	—	—	—	500,000
	March 24, 2016	5.824	—	500,000	—	—	500,000
Huang James Chih-Cheng	August 5, 2014	4.14	400,000	—	—	—	400,000
Chen Qunlin	August 5, 2014	4.14	200,000	—	—	—	200,000
	March 19, 2015	3.126	300,000	—	—	—	300,000
	March 24, 2016	5.824	—	300,000	—	—	300,000
Luo Zhuping	August 5, 2014	4.14	200,000	—	—	—	200,000
	March 19, 2015	3.126	300,000	—	—	—	300,000
	March 24, 2016	5.824	—	300,000	—	—	300,000
Ho Man	August 5, 2014	4.14	200,000	—	—	—	200,000
	March 19, 2015	3.126	300,000	—	—	—	300,000
	March 24, 2016	5.824	—	300,000	—	—	300,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

26. SHARE BASED COMPENSATION – *continued*

Share Option Scheme – *continued*

	Date of grant	Exercise price per Share (HK\$)	Options outstanding balance as at January 1, 2016	Number of options			Options outstanding as at June 30, 2016
				Issued during the six months ended June 30, 2016	Exercised during the six months ended June 30, 2016	Forfeited during the six months ended June 30, 2016	
Directors							
Wu Jianwei	August 5, 2014	4.14	200,000	—	—	—	200,000
	March 19, 2015	3.126	300,000	—	—	—	300,000
	March 24, 2016	5.824	—	300,000	—	—	300,000
			14,100,000	8,700,000	—	(400,000)	22,400,000
Other employees	August 5, 2014	4.14	35,200,000	—	—	—	35,200,000
	March 19, 2015	3.126	42,300,000	—	—	—	42,300,000
	March 24, 2016	5.824	—	41,300,000	—	—	41,300,000
Total			<u>91,600,000</u>	<u>50,000,000</u>	<u>—</u>	<u>(400,000)</u>	<u>141,200,000</u>
Exercisable at June 30, 2015			<u>—</u>				<u>—</u>
Weighted average exercise price (HK\$)			<u>3.59</u>	<u>5.81</u>	<u>—</u>	<u>4.14</u>	<u>4.37</u>

Notes:

- Ma Xiang was appointed as a non-executive director on January 12, 2016.
- Lin Hung Ming resigned as a non-executive director on January 12, 2016.

The Group recognized the total expense of approximately RMB15,219,000 (for the six-month ended June 30, 2015: RMB7,453,000) for the six-month ended June 30, 2016 in relation to Share Option A, Share Option B, Share Option C and Share Option D granted by the Company under Share Option Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

27. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Group's outlets which fall due as follows:

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Within one year	7,203	5,925
In the second to fifth years inclusive	6,128	6,017
After five years	3,416	64
	<u>16,747</u>	<u>12,006</u>

The lease payments represent rentals payable by the Group for certain properties and land. The lease terms ranged from one year to twelve years.

28. CAPITAL COMMITMENTS

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property and equipment:		
– contracted for but not provided in the condensed consolidated financial statements	<u>30,324</u>	41,486
– authorized but not yet contracted for	<u>55,520</u>	52,843
	<u>85,844</u>	94,329
Capital expenditure in respect of the acquisition of subsidiaries:		
– contracted for but not provided in the condensed consolidated financial statements	<u>9,099</u>	<u>21,799</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

29. LOANS FROM NON-CONTROLLING INTERESTS

The balance represents the loan from Shandong World Trade Centre (山東世界貿易中心) carried fixed interest rates at 5.06% (December 31, 2015: 6%) per annum as at June 30, 2016.

As at June 30, 2016 and December 31, 2015, Shandong World Trade Center has confirmed that it shall not demand repayment of the amount due to it within the twelve months from each of the period end. Accordingly, the amount is shown under non-current as at June 30, 2016 and December 31, 2015.

30. CONTINGENT LIABILITIES

Before the completion of the acquisition of Wuyuan Wanshoushan Lingyuan Co., Ltd (“Wuyuan Wanshoushan Cemetery”), Mr. Liang Lihua (梁利華) (“Mr. Liang”), the selling shareholder of the 75% equity interest who is now still holding the remaining 25% equity interest as the non-controlling interests in Wuyuan Wanshoushan Cemetery, entered into unauthorized transactions on behalf of Wuyuan Wanshoushan Cemetery to guarantee some of his personal loans, thereby incurring potential guarantee liability for Wuyuan Wanshoushan Cemetery. Mr. Liang had also allegedly transferred some of his other personal loans to Wuyuan Wanshoushan Cemetery without any proper corporate authorizations. Mr. Liang had not disclosed any of the abovementioned personal loans to Shanghai Fu Shou Yuan Industry Development Co., Ltd. (“Shanghai Fu Shou Yuan”) before the completion of the acquisition of Wuyuan Wanshoushan Cemetery. As at December 31, 2015, the creditors of Mr. Liang and the purported creditors of Wuyuan Wanshoushan Cemetery (together the “Creditors”) brought a total of 8 law suits against Mr. Liang and Wuyuan Wanshoushan Cemetery with claims over RMB44 million (including interest accrued up to December 31, 2015), with first-instance legal proceedings initiated at two People’s Courts in Jiangxi province (the “People’s Courts”) (the “Proceedings”). Subsequently two of the Proceedings have been settled or concluded by the People’s Courts, with awards in favour of Wuyuan Wanshoushan Cemetery for approximately RMB8 million and an award against Wuyuan Wanshoushan Cemetery for approximately RMB1 million.

During the six months period ended June 30, 2016, the Creditors brought another 3 law suits against Mr. Liang and Wuyuan Wanshoushan Cemetery with claims over RMB6 million, with first-instance legal proceedings initiated at the People’s Courts in Jiangxi province (together with the 6 law suits as mentioned above, referred to “the Remaining Proceedings”).

As at the date of this report, the outstanding disputed amounts of the Remaining Proceedings stood at approximately RMB44 million (including interest accrual of approximately RMB3 million). The Company considers the Remaining Proceedings were not well grounded based on independent legal professional advice it has obtained. Wuyuan Wanshoushan Cemetery has either responded to, or has filed an appeal, against such Remaining Proceedings. To mitigate its losses, the Group initiated separate legal steps against Mr. Liang to recover any losses it suffers as a result of the Proceedings.

Given the nature of the Remaining Proceedings, it would not be possible to predict the outcome of the appeal with certainty and whether the Remaining Proceedings will in the end result in any material adverse impact on the financial position and business operation of the Group. As of the date of this report, the Directors are of view that no provision shall necessarily be made according to the legal opinion and the current status of Remaining Proceedings.

DEFINITIONS

“Anyang Tianshouyuan Cemetery”	a cemetery in Anyang of Henan Province and operated by 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
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Changzhou Qifengshan Cemetery”	a cemetery in Changzhou City of Jiangsu Province and operated by Changzhou Qifengshan International Cemetery Co., Ltd.*(常州棲鳳山國際文化陵園有限公司), 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 interim report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chongqing Anle Services”	Chongqing Anle Services Co., Ltd.* (重慶安樂服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Chongqing Anle Funeral Services”	Chongqing Anle Funeral Services Co., Ltd.* (重慶安樂殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Chongqing Baitayuan”	a cemetery in Yongquan of Chongqing Municipality and operated by Chongqing Baitayuan Funeral and Burial Development Co., Ltd.* (重慶白塔園殯葬開發有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Company” or “Fu Shou Yuan”	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“FSY Hong Kong”	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on October 10, 2011. It is a direct held subsidiary of the Company
“Global Offering” or “IPO”	the offering by the Company of its Shares for subscription by the public in Hong Kong and placing with professional and institutional investors outside the United States in December 2013
“Group”, “our Group”, “us”, “we” or “Fu Shou Yuan Group”	the Company and its subsidiaries

DEFINITIONS

“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
“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
“Hefei Dashushan Cultural Cemetery”	a cemetery in Hefei of Anhui Province and operated by Hefei Dashushan Culture Cemetery Co., Ltd.* (合肥大蜀山文化陵園有限公司), 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, Zhengzhou of Henan Province (河南省新鄭市龍湖鎮) and operated by Henan Fu Shou Yuan Industrial Co., Ltd.* (河南福壽園實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huaibei Fangshan Cemetery”	A cemetery in Huaibei City of Anhui Province and operated by Huaibei Fu Shou Yuan Memorial Park Co., Ltd.* (淮北福壽園紀念陵有限責任公司), a limited company established under laws of the PRC and a joint venture of the Company
“Jinzhou Maoshan Anling”	a cemetery in Jinzhou City of Liaoning Province and operated by Jinzhou City Maoshan Anling Co., Ltd.* (錦州市帽山安陵有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Listing”	listing of the Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Meilin Century Cemetery”	a cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Nanchang Hongfu”	Nanchang Hongfu Humanities Memorial Co., Ltd.* (南昌洪福人文紀念有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Period”	the six months ended June 30, 2016

DEFINITIONS

“Prospectus”	the prospectus of the Company dated December 9, 2013
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shandong Fu Shou Yuan”	Shandong Fu Shou Yuan Development Co., Ltd.* (山東福壽園發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Shandong World Trade Centre”	Shandong World Trade Centre* (山東世界貿易中心), a 50% shareholder of Shandong Fu Shou Yuan
“Shanghai Fu Shou Yuan”	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Development Co., Ltd.* (上海福壽園實業發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“Wuyuan Wanshoushan Cemetery”	a cemetery in Wuyuan of Jiangxi Province and operated by Wuyuan Wanshoushan Lingyuan Co., Ltd.* (婺源縣萬壽山陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“%”	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.