



福壽園國際集團

FU SHOU YUAN INTERNATIONAL GROUP
01448.HK



2021

INTERIM REPORT

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

Stock code: 01448

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Bai Xiaojiang (*Chairman*)
Mr. Tan Leon Li-an (*Vice-Chairman*)
Mr. Wang Jisheng (*Chief Executive*)

Non-executive Directors

Mr. Lu Hesheng
Mr. Huang James Chih-cheng
Mr. Ma Xiang (resigned with effect from
March 24, 2021)
Ms. Zhou Lijie (appointed with effect from
March 24, 2021)

Independent Non-executive Directors

Mr. Chen Qunlin
Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun
Mr. Chen Xin (appointed with effect from
January 21, 2021)

AUDIT COMMITTEE

Mr. Ho Man (*Chairman*)
Mr. Huang James Chih-cheng
Mr. Luo Zhuping
Mr. Chen Xin (appointed with effect from
January 21, 2021)

NOMINATION COMMITTEE

Mr. Bai Xiaojiang (*Chairman*)
Mr. Wang Jisheng
Mr. Chen Qunlin
Mr. Luo Zhuping
Mr. Ho Man

REMUNERATION COMMITTEE

Mr. Luo Zhuping (*Chairman*)
Mr. Tan Leon Li-an
Mr. Chen Qunlin

COMPLIANCE COMMITTEE

Ms. Liang Yanjun (*Chairman*)
Mr. Luo Zhuping
Mr. Ho Man
Mr. Chen Qunlin

COMPANY SECRETARY

Ms. Hu Yi

AUTHORIZED REPRESENTATIVES

Mr. Bai Xiaojiang
Ms. Hu Yi

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKERS

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

AUDITOR

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STOCK CODE

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WEBSITE

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CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby report the results of the Group for the six months ended June 30, 2021.

In the first half of 2021, the COVID-19 pandemic continued. With vaccination programs rolled out in many parts of the world and the continuous implementation of quantitative easing policies in many countries and the in-depth regional economic and trade cooperation, the global market showed signs of stabilization and the economy gradually restarted. China generally remained stable with favorable momentum thanks to its outstanding performance in COVID-19 pandemic control and prevention and economic recovery driven by policies such as tax reduction and financial support and the effective implementation of in-depth reform.

Despite all the challenges, the Group maintained stable growth in the first half of 2021 and recorded total revenue of RMB1,141.6 million. Net profit amounted to RMB455.6 million, of which profit and total comprehensive income attributable to owners was RMB367.4 million. The Board declared an interim dividend of HK5.64 cents per Share for 2021 to the Shareholders in appreciation of their support.

With a traditional culture of filial piety, Chinese people always carefully attend to the funeral rites of parents and treasure their own historical legacy. As such, the culture of filial piety and respect for the elderly has become an important foundation for promoting the development of the death care service industry. With the increase in aging population and rising living standards and consumer spending in China, per capita spending in death care services continues to increase with expanding market size, implying vast opportunities for China to comfortably grow into a globally leading death care service market where the Group was well established.

Since its establishment, Fu Shou Yuan has always adhered to its original intention of “running a good enterprise and changing the entire industry”. By upholding the corporate spirit of “innovation, truth-seeking, peace of mind, and sincerity” and with a “three-step” strategic development goal, Fu Shou Yuan requires its staff to adopt “idea oriented”, “standards oriented” and “management oriented” approaches, improves the operation structure and financial structure, strengthens system and structural construction and team building, actively expands its service scope, continuously improves service quality and facilitates market development with effective resource allocation, thereby promoting changes in the death care service industry with new culture. At present, the Group has established its presence across burial services, funeral services, equipment and supplies, pre-need services, landscape design, “Death Care + Internet” and life education. The Group’s business has been expanded to more than 40 cities in 18 provinces, autonomous regions and municipalities in China, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Hubei, Gansu and Heilongjiang.

During the Period, Fu Shou Yuan continued to contribute to the COVID-19 pandemic control and prevention by offering online death care services. To address the problems of inability to attend funerals on site and the cumbersome process of arranging funerals, the Group launched the “Fu Shou Cloud” online service platform last year. To further the effort, funeral service institutions within the Group in 23 cities launched the free “Online Obituary” and “Online Wake” services. By contacting the local funeral service institutions by phone, people may attend a wake or a memorial ceremony online to meet their needs of funeral services and express their longing to their deceased loved ones anytime and anywhere, which makes the industry more efficient and heartwarming. In addition, the Group continues to strengthen its efforts in “Internet +” by actively developing new memorial channels through Internet technology to optimize, upgrade and transform the traditional funeral industry, and integrate people-oriented ideas into the digital technology of “Internet +” to enable “continuation of spiritual life”. The Group has launched an online “Online Memorial” platform that integrates functions of tribute to martyrs,



CHAIRMAN'S STATEMENT

remembrance of ancestors, commemoration of loved ones and patriotic education by offering “Online Tomb-sweeping”, “Online Blessing” and “Online Photo Album” products and services and adding new features such as online family memorial hall, hall of fame and loyalty point system, thereby realizing spiritual inheritance through digital life services and embedding new values in funeral services, so that love and companionship can continue forever with online services.

Fu Shou Yuan always pays attention to the elderly service. As the aging population in China continues to grow, the Group introduced the “pre-need contracts” to China as early as 2015, which has become an important strategic pivot of the Group, satisfying the pre-need of customers to make their own funeral arrangement and bringing about a stable source of customers for the Group. “Pre-need contract” is an inclusive funeral service product with the characteristics of price transparency, guaranteed services and full expression of personal desire which have helped tens of thousands of elderly solve their palliative care problems by establishing standardized pre-planned process. Pre-need services are being recognized, supported and increasingly sought after by governments of various levels and elderly service centres, and also draw the attention from the academic community. At the beginning of 2021, Fu Shou Yuan was invited to participate in the “Research on Incentives and Satisfaction of Pre-need Contract Customers” conducted by the “Pre-need contract” project team of the School of Labor and Human Resources of Renmin University of China.

The Group is committed to serving the community, preserving the local cultural heritage and promoting ecological development across China. In March 2021, the Group entered into an agreement, pursuant to which the Group would acquire 90% equity interest in Heze Fuluyuan Cemetery Management Co., Ltd.* (菏泽福祿源公墓管理有限公司). The Group further established presence in Jinan, Tai'an, Zaozhuang, Dezhou, Binzhou and Heze in Shandong Province, promoting reformation in local funeral industry and improving the funeral facilities and overall quality of funeral services in Heze. In May 2021, the Group entered into an agreement, pursuant to which the Group would acquire 100% equity interest in Anhui Longmen Cultural Cemetery Co., Ltd.* (安徽龍門文化陵園有限公司) with a view to create synergy and facilitate the Group's development in northern Anhui, thereby providing opportunities for the Group's strategic development and enhancing the core competitiveness of our brand across the country.

Fu Shou Yuan actively explores cooperation opportunities in new sectors to continuously improve management, service quality and customer satisfaction and promote industry growth. In May 2021, the Group entered into a strategic partnership with Zhejiang Haifeng Flower Co., Ltd.* (浙江海豐花卉有限公司) on the supply of fresh flowers and floral training. Under the partnership, both parties will fully utilize their respective advantages, improve the information and resource sharing platform, strengthen mutual communication and maintain a high level of trust between the strategic partners, thereby creating greater advantages.

The Group adheres to the sustainable development strategies of environment protection, technology-driven development, charity and public welfare, traditional culture inheritance and life education, and strives to assume corporate, social, industry, historical and public responsibilities to build a caring and heart-warming life service system. We integrate the concept of green operation into all aspects of the industry chain and consider innovation as the source of corporate development. In April 2021, Shanghai Fu Shou Yuan launched the “life spars” project. The spars are environmentally friendly, land-saving and portable, with which the commemoration of the deceased is no longer restricted by time and space, breaking the traditional impression of land-saving burial. We adopted modern technology in the park design by installing interactive electronic screens that record images of life, thereby forming a landscape space and memorial site shared by the living and the deceased, making it possible to reduce burial space and diversify interment. In June 2021, the Group was awarded the “2021 (Industry) Excellent Quality Award” at the second International Quality Festival for its commitment to high quality life services and new culture innovation in the death care service industry.

CHAIRMAN'S STATEMENT

Hang Seng Indexes Company Limited (“Hang Seng Indexes Company”) announced the results of its review of the Hang Seng Family of Indexes for the quarter review on August 20, 2021. The recognized Company has been selected as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index with effect from September 6, 2021. The Hang Seng Corporate Sustainability Index is the recognized benchmark for sustainability investments in Hong Kong. We believe that the inclusion of our Shares as a constituent of the Hang Seng Corporate Sustainability Benchmark Index will raise investors’ awareness toward the Company’s ESG scoring and performance, attracting portfolio investments from the ESG investor base, enhancing stock liquidity, as well as harnessing the Company’s reputation in ESG performance.

The Group also actively contributes to public welfare and charity projects to improve the well-being of the public with practical actions. Since 2019, we have designed and developed the charitable “pre-need contract” service for many local civil affairs organizations, communities, towns and elderly service organizations, providing palliative care and death care services to nearly 4,000 disadvantaged elderly as of March 2021. In order to pass on and preserve traditional culture, the Group actively carries out activities to commemorate the 100th anniversary of the founding of the Communist Party of China to promote the spirit of martyrs, pay tribute to respectable ancestors, guard the dignity of life and pass on the memories of our home country. In June 2021, Fu Shou Yuan Humanistic Cultural Memorial Park was included in the list of 100 immovable revolutionary cultural relics in Shanghai. In addition, with its devotion in the life education undertaking for several years, the Group promotes the non-profit public awareness program of life education by breaking industry boundaries and communicating with the general public. The Group co-organized the 3rd Qingming Forum of Peking University on “Peaceful Life and Death: Integration of Medical Treatment and Death Care” to advocate opening up the boundary between medicine and death care to enable mutual assistance, integration and linkage of medical treatment and death care, thereby comforting people in the last days of their lives with pre-need contracts. As of May 2021, we have organized nearly 200 life education courses, lectures, forums and experience activities which attracted a total of 1,500 participating units and benefited over 150,000 people. In the future, we will continue to facilitate sustainable development based on the sense of life service education, humanistic cultural and public welfare. In 2021, the Group was awarded the “Most Socially Responsible Listed Company” in the 5th Jin Gang Gu (金港股) Award for the second year in a row by virtue of its years of contribution to the society and outstanding performance in life services and public welfare practices during the pandemic. In the same month, the Group was granted the 4th Outstanding IR “Best ESG” Award, which demonstrates the community’s recognition of the Group’s efforts and achievements in environmental, social and governance and sustainable development.

By upholding the principle of “human-oriented and culture rooted”, the Group supports the inheritance of traditional culture by providing services for the benefit of the people with its strengths in life services, thereby continuously meeting people’s growing needs for a better life. Looking forward, Fu Shou Yuan will strive to explore new models for future development of the death care service industry, convey memories and emotions with internet technology, focus on establishing an intelligent, efficient, environmental friendly and heartwarming service system, make innovations for the industry, and devote unremitting efforts in serving the public for a better life and positioning ourselves to deliver better returns to our Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

As socialism with Chinese characteristics enters a new era, China advances into a moderately prosperous society in all respects, standing at a new historical starting point. Promoting people's well-being to a new level and continuously enhancing people's sense of achievement, happiness and security will be the key goals of China's future development in people's livelihood.

In May 2021, the National Bureau of Statistics of China issued the Communiqué of the Seventh National Population Census. In terms of population structure, the total number of elderly people aged 60 and above in Mainland China reached 264 million in 2020, accounting for 18.7% of the total population. During the 14th Five-Year Plan period, the population born in the second birth peak in the 1960s will successively enter old age, resulting in a sharp increase in China's aging population. In terms of population distribution, the urbanization rate of China's permanent population maintains a rapid growth trend, reaching 63.9% in 2020 and exceeding 65% during the 14th Five-Year Plan period. The aging population trend and the acceleration of the new urbanization process will give rise to a massive demand for death care services in the market.

In June 2021, the Ministry of Civil Affairs issued the 14th Five-Year Plan on the Development of Civil Affairs (《「十四五」民政事業發展規劃》) (the "Plan"), which will further improve the public death care service system, fully establish a basic death care service protection system, properly fulfill the government's responsibility on providing basic death care services to the urban and rural population in difficulty, and improve the government's ability to provide basic death care services. The Plan will further accelerate the reinforcement of weaknesses in the death care service facilities and practically improve the standard of governance in the death care service field, while further standardizing and strengthening the management of death care services, strengthening the public welfare attributes of death care service providers, standardizing the business conduct of death care intermediaries and service providers, and establishing a sound and comprehensive regulatory mechanism. Meanwhile, the revision of the Regulations on Funeral and Interment Control (《殯葬管理條例》) is being actively promoted and has been included in the legislative work plan for 2021 of the Ministry of Civil Affairs. The revision of the Regulations on Funeral and Interment Control will deepen the death care reform, improve the death care service system, and help rectify the chaos in the industry. In order to address the hot and difficult issues of public and social concern, it further standardizes death care behaviors, strengthens death care management for legal protection, promotes the market-oriented and standardized development of the industry, and ultimately achieves the long-term healthy growth of the death care service industry in the PRC. The Group expects there will be a higher entry barrier for both new and existing participants in the death care service industry. As a distinguished death care service provider and a leader of the industry in China, and consistent with the high standards of compliance that our operations have been meeting, the Group believes that regulation will create a better environment with fair competition and adequate room for sustainable development. We will continue our efforts in directing the development of the industry and better serve the general public through our services that meet both the spiritual and cultural requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the “Decentralization-Control-Service” reform is also being steadily implemented. In June 2021, the State Council issued the Notice Regarding Deepening the Reform of Separation of Permits and Business Licenses and Further Increasing the Development Vitality of Market Participants (《關於深化「證照分離」改革進一步激發市場主體發展活力的通知》), which coordinates the overall advancement of the administrative approval system reform and the commercial system reform, promotes post-business license reduction of permits and simplification of approval in a wider range and more industries, so as to further optimize the business environment and stimulate the development vitality of market participants. The approval authority of operating cemeteries will be delegated from the provincial civil affairs department to the municipal civil affairs department in the district, and the municipal civil affairs department in the district will report the results of the approval to the provincial civil affairs department for filing. In July, the General Office of the State Council issued the Plan for Division of Key Tasks of the Teleconference on Deepening the “Decentralization-Control-Service” Reform and Cultivating and Stimulating Vitality of Market Participants Nationwide (《全國深化「放管服」改革著力培育和激發市場主體活力電視電話會議重點任務分工方案》), which responds to the needs of the market participants by innovating and implementing macro policies and deepening the “Decentralization-Control-Service” reform in an effort to create a market-oriented and legalized business environment. The content and specific measures of the “Decentralization-Control-Service” reform will be beneficial for the Group to make more positive contributions to the death care service business.

With regards to scientific funeral and burial, The Ministry of Civil Affairs is proactively pushing for the integration of funeral and burial with “Internet+” to explore and promote new funeral and burial service models, such as remote farewell and remote tomb-sweeping, with a view to reinforcing the standardization and digitalization of the death care service industry and providing more convenient and intelligent death care services.

As the economic development of the PRC enters a new era, people’s demands are gradually moving from “availability” to “quality”. In the death care service field, given the increasing disposable income per capita, promotion of traditional Chinese culture and virtues, accelerating urbanization progress and an aging population in the PRC in recent years, these trends not only underlies the increase in overall demand for death care services, but also demonstrates the requirement for better death service quality and the diversification and differentiation of the substance of death care services. With the publication of demographic statistics from the 7th population census, the death care industry is gradually incorporated into the coordination, development and planning of the entire elderly service industry to facilitate the development of each “elderly” service industry in a coordinated manner. In addition, a multilayered social service security system, led by the government with contribution from the society, has been established to stimulate market entities to direct social energy towards livelihood service security in an orderly manner, thereby proactively advancing the structural reform of the supply side of death care services. It secures the basic livelihood requirements and satisfies the demand for multilayered and diversified death care services at the same time. These driving factors are set to boost the in-depth and stable development of the death care industry in the PRC.

BUSINESS COMMENTARY

During the Period, the COVID-19 pandemic prevention efforts in the PRC proved to be effective, leading to continuous and stable economic recovery and further improvement in operation quality. In the first half of the year, GDP of the PRC recorded a year-on-year increase of 12.7% and a two-year average growth of 5.3% on a constant price basis. The Group, as always, also continued to consolidate and explore our brand value, put efforts in enhancing the landscaping, funeral facilities and cultural setting of existing cemeteries, improve service quality, and offer innovative, diversified and different services and products, continuously optimizing the allocation of resources in respect of our business structure, products and services, and sales channels, among others.

MANAGEMENT DISCUSSION AND ANALYSIS

In relation to cemeteries and funeral facilities, we adhere to the concept of transforming cemeteries into humanity parks and life parks. On one hand, we continued to optimize our product structure, increasing the proportion of land-saving products and artistic cemeteries while lowering that of traditional cemeteries, innovating funeral services and products so as to improve the effectiveness of land utilization. During the Qingming holiday, we completed “Cang Jing Yuan” in Shanghai Fu Shou Yuan. With an area of 42 square meters, the mini park provides underground indoor burial with the capacity for around 8,400 life spars of the deceased, representing an average of 0.005 square meter per life spar. In addition, “Cang Jing Yuan” shatters the traditional image of land-saving burial with an elegant environment of quality and fashionable design, showing full respect to life. On the other hand, we continued to innovate and increase the application of new materials, new technologies and new techniques to our products. For interior decoration materials of underground indoor burial, “Cang Jing Yuan” applies the latest environmentally friendly neolith (sintered stone) and 24k gold composite coating. As an environmentally friendly decoration material commonly found in outlets of top tier brands, it is applied in land-saving burial products for the first time ever. While creating and enhancing the environment of the park, we continue to seamlessly implant ecological concepts, embed humanity elements and create a historical atmosphere, injecting more vitality and inspiration into the traditional cemetery, presenting an atmosphere of beauty with the environment, glory with culture and harmony with ecology. The beautiful cemeteries meticulously constructed by us and the customized services that we strive to provide continued to gain widespread recognitions from our customers.

In relation to the funeral services business, we have increased innovation, deepened and promoted the provision of different kinds of products and services such as body SPA, mid-range and high-end paper coffins and cosmetic services to meet the differentiated and diversified needs of different customer groups. During the Qingming holiday, we also launched “Fu Shou Language of Flowers”, a cultural and creative flower project, to instill civilized tomb-sweeping with additional cultural elements and improve customers’ consumption experience. For funeral equipment, the Group centralized the assessment and procurement of all major supplies, including cremation coffins, burial clothes and urns, with a view to boosting supply quality and reducing procurement costs.

We continue to vigorously improve the Death Care Services + Internet “Fu Shou Cloud” integrated system. First, we seek to polish and complete the Fu Shou Cloud series products in the post-pandemic scenario to improve cloud products, namely cloud memorial, cloud obituary, cloud exhibition, cloud streaming, etc., and O2O projects. During the Qingming holiday, a number of subordinate cemetery companies of the Group organized 24 Qingming cloud memorial events connected to cloud streaming platforms. All subordinate burial service companies of the Group had connected to and adopted the cloud obituary mini application to compile more than a thousand cloud obituaries with over 10,000 views. News on the cloud obituary, cloud vigil and cloud memorial meeting series were reported and reproduced by over 100 media organizations, promoting new trends of civilized tomb-sweeping in the industry. Second, we continue to refine the official website and marketing website of the Group and its subsidiaries and branches to provide the general public with standardized, transparent, convenient and diversified online services. Third, we empower product innovation with technology. In Shanghai Fu Shou Yuan, we utilize electronic audio and lighting equipment, Internet and Internet-of-Things technology to create an immersive digital funeral product, which enables online-to-offline interaction and real-time human-machines interaction. It offers an immersive experience full of warmth and grief, while protecting the dignity of the deceased, consoling the living, and inspiring lives.

MANAGEMENT DISCUSSION AND ANALYSIS

As an important strategic pivot of the Group, our provision of pre-need services enables the Group to secure customers in advance and to bring about a stable source of customers to our funeral and burial segments. It is proven that under the backdrop of aging population, pre-need services are attracting more customers who would like to arrange their funeral matters in advance by themselves, and are being recognized, supported and increasingly sought after by local governments of various levels and elderly service centres. Since the beginning of the year, the number of pre-need contract signed has been surging with a total of 6,694 signed contracts in the first half of the year, representing an increase of 159.6% over 2,579 contracts in the same period of last year. Meanwhile, the Group was able to supply pre-need services in 33 cities from 15 different provinces. We will actively explore more social value and business value of pre-need services. From sales channel aspect, we also worked with endowment, insurance and trust institutions and designed a set of promotion routine and dialogue context which is practical for communicating with customers about pre-need services under non-funeral scenes. We will design and develop innovative products that meet diversified customer needs and one-stop services to achieve a new height in the strategic development of pre-need services.

The Group's environmentally-friendly cremation machine business integrates R&D, design, in-house production, comprehensive support and after-sales service to produce smart and environmentally-friendly cremation equipment and exhaust gas purification treatment systems. We focused on the innovation, environmental-friendliness and stability of products, enhancing and enriching the overall functions and features of our "Jiesheng" environmentally-friendly cremation equipment and exhaust gas purification system through industry academic research partnership with domestic renowned institutes: First, the product has a long life cycle with short cremation time, and is in strict compliance with environmental standards with low cost for single corpse incineration; second, the product has an excellent performance in emission reduction, greatly reducing dust emissions; third, the high domestic production rate reduces the cost of equipment operation and maintenance; fourth, the product's unique and integrated innovation breaks through a series of bottlenecks in the production of domestic high-intensity and high-quality cremation machines. In July 2021, the Shanghai Funeral and Interment Service Center organized the Kick-off Meeting for Shanghai Green Cremator Version 1.0 Upgrade and Renovation and Promotion Meeting for Shanghai Green Burial Work (上海綠色環保型火化機1.0版升級改造工作啟動會暨上海綠色殯葬工作推進會). The meeting reported the acceptance of the cremation furnace technology pilot scheme of Shanghai Yishan Funeral Home, which ranks first in the PRC in terms of cremation volume, and issued the corporate standard of Technical Quality and Operation and Maintenance Service Specifications for Green Cremation Machine (《綠色環保型火化機技術品質和運行維護服務規範》) of Shanghai Yishan Funeral Home. The Group's JS-3 green cremator passed the project quality assessment with technical standards such as efficient operation, emission compliance and stable performance. The expert task force gave full recognition to the cremator innovation work carried out by Fu Shou Yuan in terms of a stable corpse feeding system, innovative furnace chamber structure, high temperature combustion system, super clean exhaust gas system and intelligent control system. It believes that the overall operation of Fu Shou Yuan JS-3 cremator is stable and reliable, meeting the leading standard in the PRC, and certain technologies of which are the first of its kind in the PRC, which meet the requirements of green development and play as an important role in demonstrating and guiding the upgrade and transformation of high quality cremators in Shanghai and even across China. On the other hand, as a part of our effort to expand the market, we entered into a sales cooperation agreement with a local partner in Russia for 3 cremators in July, which made "Jiesheng" products rush out of China and go global. In the future, the Group will deepen our presence in key target markets by increasing investment in the sales and system optimization of environmentally friendly cremation machines, so as to consistently refine our products and promote market competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

In relation to the expansion of our cemetery and funeral business, the Group will continue to focus on new projects and gradually reduce investment costs based on the strategic layout of focusing on large businesses over minor ones, integrating resources and pursuing a high-quality development as its principle; capitalize on acquisitions and mergers to achieve breakthroughs in performance; and seek replicable models with mixed reform projects and cooperative projects as innovative drivers. In March 2021, the Group entered into an agreement pursuant to which the Group would acquire 90% equity interest in Heze Fuluyuan Cemetery Management Co., Ltd.* (菏泽福祿源公墓管理有限公司) in Shandong, which has a total planned area of 400 mu. After the subsequent completion of the first phase of investment, the project will have 227 mu of land for the development, construction and sale of cemeteries; in April, the Group completed the signing of the cooperation project of the funeral home in Zhanhua District, Binzhou City, Shandong Province. By now, the Group has completed its establishment in Jinan, Tai'an, Zaozhuang, Dezhou, Binzhou and Heze in Shandong Province; in May, the Group entered into an agreement pursuant to which the Group would acquire 100% equity interest in Anhui Longmen Cultural Cemetery Co., Ltd.* (安徽龍門文化陵園有限公司), which is another major investment project of the Group in Anhui Province. Upon the completion of the acquisition, the Group will complete its establishment in Hefei, Xuancheng, Huabei, Chaohu, Fuyang, Liu'an and Suizhou in Anhui region; in June, the Group completed the signing of the project of the humanities memorial park in Dalian Bay, Dalian City, which is another strategic location in the northeastern region with great geographical advantage for the Group. Meanwhile, the Group's expansion plans into major provinces and provincial capitals across the PRC and the acquisition or cooperation of a number of target companies and projects in other regions are also being actively promoted. To date, our footprint covers over 40 cities in 18 provinces, autonomous regions and municipalities in the PRC, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu and Hubei. At the same time, we have enhanced the post-investment management of our projects and set up a special team to conduct comprehensive evaluations on the newly acquired or custody projects, based on the criteria of "idea oriented", "standards oriented" and "management oriented" as well as the expected outcome of the projects, allowing the new investment projects to achieve the investment plan, cultural implantation and control expectations promptly, thus contributing to its overall development.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees are our most valuable resource. Adhering to Fu Shou Yuan's business philosophy, our employees endeavor to cultivate their personal abilities and expand their international visions, striving to provide the best quality products and services to our customers. The Group consistently attaches great importance to the development of our talents and team building, endeavors to instill a spirit that values hard workers and entrepreneurs, continuously sparks employees' initiative, eagerness and creativity, encourage employees' to engage in regular education and promote the "craftsmanship's spirit" to pursue excellence. During the Period, the Group established the "top-class employee system" and enriched the award and incentive systems for employees. Meanwhile, we kept improving our interaction, exchange, and school-enterprise cooperation with industry vocational colleges to attract more cross-disciplinary talent and newcomers to broaden and fortify our foundation and expand our platform for talent nurturing and sustainable development purposes. The Group is positioned itself as "the planner of talent cultivation, the promoter of innovation management, the disseminator of corporate culture, and the manager of industry knowledge" to achieve its composite goal including the personal goal of "significant improvement of integrated capability and scientific career planning", the organizational goal of "full enhancement of competitiveness and pioneering role in scientific industrial development" and the social goal of "commitment to responsibility for social education and sharing of educational resources", which may form a new pattern of education and training with the characteristics of Fu Shou Yuan. We provide precise training for all of our staff, with a focus on the new requirements of the Group's development for talent cultivation. Our priority is to cultivate high-level talents and skilled personnel by providing rotational training to our cadres and employees in the forms of study classes, training classes and seminars, thoroughly promoting education and training, and developing a new layout for talent cultivation. This can ensure the availability of talents and intellectual support for the development of our Group, accelerate talent cultivation and build a first-class team to enhance the Group's core competitiveness and social sustainability. Meanwhile, the Group conducts research on industrial development to provide solutions and decision support for new conditions and challenges that arise in the development of the Group.

The Group continues to uphold our "people-oriented and culture-rooted" philosophy, providing livelihood services, leading life education, promoting ecological culture, and keeping the memory of cities during the Qingming holiday, a total of 21,727 pieces of messages related to "Fu Shou Yuan" were recorded across the Internet, an increase of 3.78 times year-on-year. The public recognized the industry-leading position of Fu Shou Yuan, thumbing up the brand "Public Welfare Contract" (公益契約), organ donation charity wedding, Ching Ming Memorial Ceremony, Cloud Memorial and the 3rd Peking University Ching Ming Forum. In addition, the memorial service for director Peng Xiaolian, planned and disseminated by Fu Shou Yuan, was the first digital funeral and memorial service in the industry. The related topic was read by 110 million people on Weibo, representing the Group's strategic direction of digital development and spiritual needs fulfilment. In terms of red culture dissemination, in June 2021, the Humanities Memorial Park of Fu Shou Yuan was included in the list of 100 immovable revolutionary cultural relics in Shanghai. At the same time, the Humanities Memorial Museum of Shanghai Fu Shou Yuan co-organized the 2021 "Sages and Shanghai's Urban Memory" (先賢與上海城市記憶) forum, creating an in-depth, quality and storytelling public lecture on the party's history. When a historic flood wreaked havoc on Zhengzhou City of Henan Province in July, the Shanghai Fu Shou Yuan Public Welfare Development Foundation immediately deployed human resources, supplies and financial resources and worked with the local companies under the Group to send condolences, donate supplies and provide support to the units critically affected by the disaster.

MANAGEMENT DISCUSSION AND ANALYSIS

Moreover, during the Period, we appointed an experienced external professional consultancy firm to conduct systematic rationalization and improvement in relation to our future development strategy and a number of crucial system procedures and organizational structure, thereby equipping the Group to make greater strides in the next stage.

In view of the above, we recorded significant growth during the Period and total revenue of the Group amounted to RMB1,141.6 million, representing an increase of approximately 55.6% as compared to the same period of last year. Profit and comprehensive income attributable to the owners of the Company amounted to RMB367.4 million, representing an increase of approximately 48.4% as compared to the same period of last year.

REVENUE

During the Period, our revenue increased by RMB407.7 million or 55.6% to RMB1,141.6 million from RMB733.9 million of the same period of last year. We derive our revenue primarily from three business segments: burial services, funeral services and other services. The following table sets forth our revenue by segment for the Period:

	Six Months Ended			
	June 30, 2021		June 30, 2020	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Burial services	969,118	84.9%	618,830	84.3%
Funeral services	162,124	14.2%	102,146	13.9%
Other services	17,209	1.5%	16,354	2.2%
Inter-segment elimination	(6,831)	(0.6%)	(3,451)	(0.4%)
Total	<u>1,141,620</u>	<u>100.0%</u>	<u>733,879</u>	<u>100.0%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BURIAL SERVICES

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

	Six Months Ended			
	June 30, 2021		June 30, 2020	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	8,168	848,899	5,427	556,962
Public welfare plots and tomb relocation	2,919	26,218	948	1,797
	<u>11,087</u>	<u>875,117</u>	<u>6,375</u>	<u>558,759</u>
Other burial services		<u>94,001</u>		<u>60,071</u>
Total revenue from burial services	<u>11,087</u>	<u>969,118</u>	<u>6,375</u>	<u>618,830</u>

During the Period, revenue from sale of burial plots services for ordinary business purpose increased by RMB291.9 million or 52.4% as compared to the same period of last year. Sales volume recovered and increased by 2,741 or 50.5%, while ASP slightly increased by 1.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six Months Ended			
	June 30, 2021		June 30, 2020	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plots services for ordinary business purpose, from:				
Comparable cemeteries*	6,860	779,686	5,312	552,593
Cemeteries related to acquisitions/new construction	1,308	69,213	115	4,369
Total revenue from sale of burial plots services for ordinary business purpose	8,168	848,899	5,427	556,962

* Comparable cemeteries refer to those cemeteries owned by the Group for the entire period from January 1, 2020 to June 30, 2021.

During the Period, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries increased by RMB227.1 million or 41.1% as compared to the same period of last year. Its sales volume recovered from COVID-19 outbreak impact and increased by 1,548 or 29.1% and the ASP increased by 9.3% due to the combined effect of products mix, contributions from various cemeteries and the increase in their value, etc. Revenue from sale of burial plots services for ordinary business purpose in newly acquired or newly developed cemeteries increased by RMB64.8 million, mainly due to the contribution from Harbin Mingxiyuan Cemetery acquired in August 2020. The ASP of burial plots sold for ordinary business purpose in the new cemeteries was lower than that of comparable cemeteries, as the cemeteries are located at different regions and these new cemeteries need time to improve their landscape, enhance the services, strengthen their team and upgrade the operation gradually, in order to provide high quality services to their customers and to increase the return of the Group. We formulated a systematic operation improvement plan for these new projects to ensure the achievement of the above goals. Leveraging on our advanced philosophy, extensive management experience in death care business and a strong team of professionals, those new cemeteries are expected to achieve profitable growth in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FUNERAL SERVICES

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

	June 30, 2021		June 30, 2020	
	No. of customers	Revenue (RMB'000)	No. of customers	Revenue (RMB'000)
Funeral services, from:				
Comparable facilities*	26,306	149,409	18,461	101,249
Facilities related to new acquisitions/new construction	3,594	12,715	219	897
Total revenue from funeral services	<u>29,900</u>	<u>162,124</u>	<u>18,680</u>	<u>102,146</u>

* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2020 to June 30, 2021.

During the Period, revenue from funeral services increased by RMB60.0 million or 58.7%. In particular, the volume of funeral services increased by 11,220 households or 60.1%, while ASP remained substantially stable with a slight decrease of RMB46 or 0.8%. Revenue from comparable funeral facilities and services increased by RMB48.2 million or 47.6%. Its volume of services bounced back from COVID-19 outbreak impact and increased by 7,854 households or 42.5%, while ASP increased by approximately 3.6% as compared to the same period of last year mainly due to the combined effects of services mix, location mix and etc. Revenue from new funeral facilities was mainly contributed by Jinsha Fuze Cemetery acquired by the Group in June 2020. ASP of new funeral facilities was lower than that of the comparable funeral facilities, mainly due to different funeral services mix i.e. Jinsha Fuze Cemetery was primarily engaged in the provision of funeral catering services which recorded a slightly lower ASP compared to other value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

GEOGRAPHIC INFORMATION

Our cemeteries and funeral facilities under operation are strategically located in major cities across 16 provinces, municipalities and autonomous regions in the PRC. The following table sets forth a breakdown of revenue from burial services and funeral services by region during the Period:

	Six Months Ended			
	June 30, 2021		June 30, 2020	
	Revenue (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of Total Revenue
Shanghai	494,600	43.7%	347,433	48.2%
Liaoning	102,765	9.2%	66,969	9.3%
Anhui	98,902	8.7%	67,473	9.4%
Jiangxi	62,660	5.5%	34,328	4.8%
Jiangsu	59,916	5.3%	36,198	5.0%
Henan	58,693	5.2%	42,833	5.9%
Heilongjiang	53,440	4.7%	—	—
Shandong	50,499	4.5%	40,363	5.6%
Chongqing	48,407	4.3%	34,052	4.7%
Guizhou	26,603	2.4%	7,330	1.0%
Fujian	24,119	2.1%	14,992	2.1%
Zhejiang	22,459	2.0%	16,381	2.3%
Guangxi	10,179	0.9%	5,844	0.8%
Gansu	9,413	0.8%	—	—
Inner Mongolia	8,346	0.7%	6,426	0.9%
Hubei	241	0.0%	354	0.0%
Total	1,131,242	100.0%	720,976	100.0%

During the Period, revenue in all regions (except for Hubei) increased due to the recovery from the impact of COVID-19 outbreak and the newly acquired cemeteries and funeral facilities.

OTHER SERVICES

Revenue from other services for the Period mainly represented the revenue generated from our professional design services offered to cemeteries and funeral parlours throughout the nation.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENDITURE

The Group's operating expenditure, which accounted for 50.5% of total revenue for the Period (the same period of last year: 51.4%), increased by RMB199.2 million or 52.8%. The increase in operating expenditure was in line with the revenue growth. Meanwhile, the Group continued to optimize the resource allocation in order to best meet the development needs and achieve a cost-effective operation.

The Group's staff costs include staff salaries, bonuses and benefits. During the Period, the staff costs increased by RMB79.9 million or 52.2%. Such increase was mainly attributable to the combined effects of the return of staff salaries to normal level in the post-pandemic era, the discontinuation of various social security concessions in the current period and newly acquired entities, such as Jinsha Fuze Cemetery and Harbin Mingxiyuan Cemetery.

The construction costs relate to the expenditures in building burial plot products (excluding stone materials). During the Period, the construction costs increased by RMB21.1 million or 91.5%, mainly because construction of burial plot products in many locations resumed in the post-pandemic era in order to replenish the inventories to meet the market demands.

Consumed materials and goods relate to materials and goods consumed when we provide burial, funeral and other services. They also include the materials and goods consumed when we build burial plots. During the Period, the consumed materials and goods increased by approximately RMB40.1 million or 78.1%, mainly due to the increased business volume and newly acquired entities during the Period.

Marketing and sales channel costs mainly include advertising costs, marketing costs, and sales commission. During the Period, the marketing and sales channel costs increased by RMB8.6 million or 56.2%. Such increase was mainly attributable to the improved performance during the Period.

Depreciation and amortization increased by RMB8.8 million or 13.7%, mainly due to the commencement of operation of certain new cemeteries and funeral facilities in the second half of last year as well as the newly acquired entities.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Period increased by RMB208.6 million or 58.5% as compared to the same period of last year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Period:

	Six Months Ended			
	June 30, 2021		June 30, 2020	
	Operating Profit (RMB'000)	Operating Profit Margin	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	550,567	56.8%	358,777	58.0%
Funeral services	24,960	15.4%	10,127	9.9%
Other services	(10,637)	(61.8%)	(13,589)	(83.1%)
Inter-segment elimination	462	(6.8%)	1,480	(42.9%)
Total	565,352	49.5%	356,795	48.6%



MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the operating profit margin of burial services decreased to 56.8% from 58.0% in the same period of last year. The decline was mainly attributable to the combined effect of 1) location mix, in particular, the developing cemetery entities contributed more revenue year by year while their operation profit margins were relatively lower compared to those of mature entities; 2) certain cost items, like staff costs, resumed normal level after the pandemic outbreak last year; and 3) more investments were made during the Period in all levels of training and introduction of high level personnel.

Funeral services were affected by the COVID-19 outbreak during the same period of last year and certain value-added services and products were unable to be provided in line with social restriction requirements. During the Period, value-added services resumed gradually and this led to an increase in the operating profit margin of funeral services segment to 15.4%.

During the Period, other services segment recorded an operating loss of RMB10.6 million, mainly arising from the enhanced investments in the research and development of technology and products of cremation machines and Fu Shou Cloud, which are our strategic segments. We are optimistic about the future of the business on our environmental-friendly cremation machines under the back-drop of tightening of the rules and regulations on environmental protection by the government. Fu Shou Cloud focuses on the application of technology in combined death care and “Internet +” services, which is an important direction of the future development of the Group.

FINANCE COSTS

Finance costs for the Period consisted of interest expenses of RMB0.6 million on bank loans (the same period of last year: RMB2.0 million), interest expenses of RMB0.8 million (the same period of last year: RMB1.1 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities of RMB1.2 million (the same period of last year: RMB1.5 million).

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

OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses for the Period mainly include interest income, government grants received, exchange gains and losses, etc. Among which, interest income and gains from unlisted cash management products during the Period amounted to RMB28.8 million, representing an increase of RMB3.3 million or 12.8% as compared to the same period of last year. The growth is mainly due to the increased fair value of the investment in Hainan Tongyuan (the same period of last year: nil).

INCOME TAX EXPENSE

Under the EIT Law and its Implementation Regulations, our PRC subsidiaries are subject to the tax rate of 25% since January 1, 2008. Our effective corporate income tax rate for the Period was 24.8% (the same period of last year: 20.7%). The effective corporate income tax rate approximates the standard tax rate of 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, income tax expenses recorded RMB150.6 million, representing an increase of RMB70.3 million or 87.4% as compared to the same period of last year, which can be attributable to the following major factors: (i) the increase in taxable income; (ii) the exercise of the share options granted by the Group to the employees forms a base for claiming income tax expense deduction of certain subsidiaries. More share options were exercised in the same period of last year, resulting in more income tax expense deduction; and (iii) the lower concessionary income tax rate of 15% pursuant to preferential tax policies for development of China's western regions originally applied to certain subsidiaries in these regions were cancelled and the tax rate of 25% were reinstated.

PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

As mentioned above, our profit and total comprehensive income attributable to owners of the Company for the Period amounted to RMB367.4 million, representing an increase of RMB119.9 million or 48.4% as compared to the same period of last year.

CASH FLOW

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

	Six Months Ended	
	June 30, 2021 (RMB'000)	June 30, 2020 (RMB'000)
Net cash generated from (used in)		
— operating activities	494,154*	312,876*
— investing activities	(595,421)*	(529,890)*
— financing activities	(147,909)	(347,762)
Total	(249,176)	(564,776)

* A classification made by the management does not comply with International Financial Reporting Standards, however, the management considers this classification can better reflect the nature of the Group's business and can make the information disclosed more comparable. The net cash generated from operating activities disclosed in the unaudited financial statements amounted to RMB504.5 million (the same period of last year: RMB312.9 million) and the net cash used in investing activities as disclosed in the unaudited financial statements amounted to RMB605.8 million (the same period of last year: RMB529.9 million). During the Period, an amount of RMB10.3 million (the same period of last year: nil) relating to the repayment received for cemetery land acquisition was here classified under the cash generated from investing activities, instead of cash generated from operating activities.

We generated our cash from operating activities primarily from proceeds of our death care service businesses. Our cash used in operating activities is primarily for the development and construction of burial plots, and other operating expenditures. Our net cash generated from operating activities amounted to RMB494.2 million for the Period, representing an increase of RMB181.3 million or 57.9% as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Our net cash used in investing activities amounted to RMB595.4 million during the Period. It was primarily due to: (i) net amount of investment for time deposits, entrusted loans and other financial assets of RMB217.4 million; (ii) payment for investment in equity fund totalling RMB152.2 million; (iii) payment for building new burial and funeral facilities and capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities, and construction expenditure of the operating system in total of RMB101.5 million; (iv) payment of RMB101.2 million for the acquisition of operating rights of subsidiaries, cemeteries and funeral parlors as well as other investments; (v) payment of loans to third parties in connection with cemetery projects totaling RMB53.8 million; and (vi) payment to purchase right of use asset of RMB3.1 million, which were partially offset by: (i) the interests and gains from unlisted cash management products received of RMB22.3 million; (ii) the repayment of RMB10.3 million received for cemetery land acquisition; and (iii) income from disposal of fixed assets received of RMB1.2 million.

Our net cash used in financing activities amounted to RMB147.9 million during the Period. It was primarily due to: (i) final dividends for 2020 paid to shareholders of the Company of RMB103.9 million; (ii) dividends paid by subsidiaries to their non-controlling shareholders of RMB74.5 million; (iii) repayment of lease payment of RMB15.5 million; (iv) repayment of loans to non-controlling shareholders of RMB6.0 million; (v) interest payment of RMB 1.4 million in connection with borrowings; and (vi) payment of RMB0.8 million for acquisition of non-controlling shareholders of a subsidiary. These were partially offset by: (i) the proceeds of RMB41.8 million received upon exercise of share options by our employees; (ii) the net capital contribution from the non-controlling shareholders of certain of our non-wholly owned subsidiaries totalling RMB7.2 million; (iii) bank loans of RMB5.0 million; and (iv) loans from non-controlling shareholders of RMB0.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at June 30, 2021, we had bank balances and cash of RMB984.8 million (December 31, 2020: RMB1,234.0 million), time deposits of RMB332.0 million (December 31, 2020: nil) and financial assets of RMB572.3 million (December 31, 2020: RMB982.9 million). Such financial assets represent cash management products with relatively lower risk ratings, which are repayable on demand and have maturity dates shorter than six months, or are repayable upon notice of withdrawn by the Company at its discretion. Such assets are highly dispersed and are managed by certain state-owned banks, with expected annualized return rates ranging from 1.4% to 3.9%. To support our expansion strategy, we hold a relatively high level of cash. In order to moderately increase capital returns, under the premise of ensuring safety and liquidity, we have allocated a part of treasury fund to short-term cash management products. Such products are issued and managed by state-owned banks and have clearly-specified expected return rates, maturity dates or are immediately redeemable. Even though the principals and return rates of such products are in theory and as stipulated, determined by reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, and not guaranteed by the issuing banks, they are secured in substance considering the features and historical performance of such products and present situation of bank system in the PRC. We internally regard our treasury fund put in such cash management products as part of our cash balance, however, from the accounting point of view, they are classified as the financial assets at fair value through profit or loss. In the foreseeable future, we expect to fund our capital expenditure, working capital and other capital requirements from the cash generated from our operations, bank borrowings, and other financing channels. The Board confirmed that the transactions in financial assets for the Period, on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

We had outstanding bank borrowings of RMB18.9 million as at June 30, 2021. Of this outstanding balance, RMB18.9 million is repayable within one year. These borrowings were dominated in RMB and the bank borrowings secured by the Group's equity interest in a subsidiary were subject to floating interest rates per annum, with the interest rate of 4.25% per annum being used during the Period, while for the unsecured bank borrowings an interest rate of 3.90% per annum was used during the Period. Also, as at June 30, 2021, three non-wholly owned subsidiaries of the Group had total loans of RMB30.4 million due to their non-controlling shareholders, respectively.

In addition, we had RMB20.35 billion of comprehensive bank credit line as at June 30, 2021.

GEARING RATIO

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as at June 30, 2021 was 0.9% (December 31, 2020: 1.0%). Our operation has been lightly leveraged because of our good cash generating capability from our operating activities. Although we expect that our capital expenditure in the following years will maintain at a relatively high level, we do not anticipate our gearing ratio will substantially increase considering the balance of bank and cash on hand. Therefore, we are exposed to limited interest rate risk.

CURRENCY RISK

The Group conducts its businesses in the PRC and its functional currency is RMB. However, certain bank balances are denominated in foreign currencies, which exposed the Group to foreign currency risk. As at June 30, 2021, the financial assets, time deposits, bank balances and cash held in RMB, HK\$ and US\$ accounted for 95.9%, 2.4% and 1.7%, respectively, of the total amount of these assets. We believe the current level of financial assets, time deposits, bank balances and certain payables denominated in foreign currencies expose us to a limited and manageable foreign currency risk. The management controls foreign currency risk by strictly managing the size of foreign currency risk exposure and closely observing the movement of foreign currency rates. We may, if necessary, hedge against foreign currency risk using financial instruments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

EMPLOYEE AND REMUNERATION POLICY

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As of June 30, 2021, the trustee of the Restricted Share Incentive Scheme held 34,800,000 Shares and the above restricted shares have not been granted to eligible participants.

As at June 30, 2021, we had 2,347 full-time employees (December 31, 2020: 2,345 full-time employees). We offer competitive packages and benefits to our staff. We also make contributions to social security insurance funds in accordance with applicable laws and regulations. Furthermore, we provide staff training and development programs and performance-based bonus to ensure that our employees are equipped with necessary skills and are remunerated according to their performance.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

We contracted, but not provided in the financial statements, for capital expenditure in respect of acquisition of subsidiaries, land use rights, other investments, cemetery assets and property and equipment in a total amount of approximately RMB201.1 million as at June 30, 2021.

ASSETS PLEDGED

As at June 30, 2021, we pledged 80% equity interest in Changzhou Qifengshan Cemetery to secure the bank borrowings granted to finance the acquisition of this subsidiary. Except for that, no other assets of the Group were pledged or charged.

CEMETERY LANDS AVAILABLE

The saleable area for burial plots was approximately 2.42 million sq.m. as at June 30, 2021 (December 31, 2020: approximately 2.44 million sq.m.), which is sufficient to satisfy the needs of the Group's sustainable operation in the long run. When we determine the saleable area of each cemetery, we have already estimated and excluded those areas not for construction of tombs, such as the areas in connection with business centres, office buildings, landscaping and main roads. Such estimation may be updated from time to time as our development plan may be improved from time to time.

CONTINGENT LIABILITIES

As disclosed in our previous announcements, one of our indirect wholly-owned subsidiaries, Wuyuan Wanshoushan Cemetery, was involved in a couple of lawsuits as a defendant. We had settled most of the lawsuits without substantial losses as at June 30, 2021, with five outstanding lawsuits remaining. The aggregate claim amount of these five lawsuits was approximately RMB60.9 million (including the claimed principal and contingent interests) as at June 30, 2021.

We are in the process of taking all necessary steps, including close cooperation with the public security department, in reversing the judgements and vigorously defending against the proceedings. As of June 30, 2021, after taking into account of the legal opinions provided by the independent PRC legal counsel and the current status of the proceedings and criminal investigation, the Directors were of the view that it was not probable the proceedings would in the end result in a material adverse impact on the financial position and business operation of the Group and concluded that no provision should necessarily be made. However, given the nature of the proceedings, it would be impossible to predict the final outcome with a sufficient degree of certainty.

EVENTS AFTER THE REPORTING PERIOD

In May 2021, the Group entered into an agreement to acquire 100% equity interests in Anhui Longmen Cultural Cemetery Co., Ltd*. (安徽龍門文化陵園有限公司) ("Anhui Longmen") for a consideration of approximately RMB88 million which is disclosed and included in the section headed "Capital Commitment" above. Anhui Longmen is engaged in the provision of cemetery operation in Suzhou of Anhui Province. The acquisition was completed in August 2021. As at the date of this interim report, the fair value of the assets acquired and liabilities recognized on the acquisition date of Anhui Longmen is under valuation process.

Save as disclosed above, there was no other significant event that might affect the Group subsequent to the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead, we will continue to do our best in the death care service industry in China, leading the industry revolution and improving services quality by continuous innovation and paying more respect, as well as cultural, environmental, technological, and charitable connotation to death care services. We will adhere to our strategy of expansion, look for suitable growth opportunities, strive for external development, perfect our business chain, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share to cater for more people's need for high quality death care services. We will push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care service business, we will consolidate newly acquired businesses and raise their standards on par with ours. Meanwhile, we will strive to make our cremation machine business become an important segment of the Group's business. With much effort to promoting pre-need business with the pre-need contract business as the core and innovative ideas in our collaboration with local governments, we will strive to increase the percentage of our funeral services in the Group's business and the scale of professional design business, and foster the integration of the Internet to improve service contents and accessibility and formulate our plan for the business of death care related consumables. Last but not least, while promoting growth in various business segments, we will strive for a balance between short-term interest and long-term value, expand our business at a more steady and sustainable pace, and stay focused on managing Fu Shou Yuan, a living entity that carries memories and emotions, with a view to consistently rewarding our Shareholders with the best returns.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK5.64 cents per Share for the six months ended June 30, 2021. The interim dividend will be paid to the Shareholders on Wednesday, October 13, 2021. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, September 27, 2021.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at June 30, 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Shares

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

Notes:

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

(ii) Interest in underlying Shares of share options

The Directors have been granted options under the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at June 30, 2021, neither the Directors nor chief executives 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 the adoption 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.

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, 2021:

Name of Grantees	Date of grant	Exercise price per Share (HK\$)	Closing price per Share immediately before the date of grant (HK\$)	Options	Options	Options	Options	Options	Options	Exercisable period
				balance outstanding as at January 1, 2021	Granted during the six months ended June 30, 2021	exercised during the six months ended June 30, 2021	lapsed during the six months ended June 30, 2021	cancelled during the six months ended June 30, 2021	Options outstanding as at June 30, 2021	
<i>Directors</i>										
Lu Hesheng	March 20, 2017	4.850	4.82	500,000	–	500,000 ¹	–	–	–	March 20, 2019 to March 19, 2021
Chen Qunlin	March 20, 2017	4.850	4.82	300,000	–	300,000 ¹	–	–	–	March 20, 2019 to March 19, 2021
Luo Zhuping	March 20, 2017	4.850	4.82	300,000	–	300,000 ¹	–	–	–	March 20, 2019 to March 19, 2021
Ho Man	March 20, 2017	4.850	4.82	300,000	–	300,000 ¹	–	–	–	March 20, 2019 to March 19, 2021
Other employees of the Group (in aggregate)	March 20, 2017	4.850	4.82	8,908,500	–	8,908,500 ²	–	–	–	March 20, 2019 to March 19, 2021
Total				10,308,500	–	10,308,500	–	–	–	

Note 1: The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$7.28.

Note 2: The weighted average closing price of the Shares immediately before the dates on which these options were exercised is HK\$7.36

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended June 30, 2021.

RESTRICTED SHARE INCENTIVE SCHEME

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As at June 30, 2021, the trustee of the Restricted Share Incentive Scheme held 34,800,000 Shares while no Restricted Shares were granted under the Restricted Incentive Scheme. For more details, please refer to our announcement dated November 29, 2019.

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

During the six months ended June 30, 2021, 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, 2021, so far as the Directors or the chief executives were aware, the Shareholders, other than the Directors or chief executives 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	388,318,000	16.74%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")	Founder of a discretionary trust (Note 1)	Long position	388,318,000	16.74%
Perfect Score	Beneficial owner	Long position	483,000,000	20.82%
Zhongfu	Interest in a controlled corporation (Note 2)	Long position	483,000,000	20.82%
Hongfu	Interest in a controlled corporation (Note 3)	Long position	483,000,000	20.82%
NGO 1	Interest in a controlled corporation (Note 4)	Long position	483,000,000	20.82%
NGO 2	Interest in a controlled corporation (Note 5)	Long position	483,000,000	20.82%
UBS Trustees (BVI) Limited	Trustee	Long position	193,200,000	8.33%
Sunshine Life Insurance Co., Ltd* (陽光人壽保險股份有限公司)	Beneficial owner (Note 6)	Long position	151,482,000	6.53%
Sunshine Insurance Group Co., Ltd* (陽光保險集團股份有限公司)	Interest in a controlled corporation (Note 6)	Long position	151,482,000	6.53%

* For identification purpose only

Notes:

- Mr. Tan Tize Shune (also known as "Tan Chih Chun"), the father of Mr. Tan Leon Li-an, is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of FSG Holding through (i) being a settlor of a trust, which in turn is interested in the entire issued share capital of Pacific Millennium Investment Corporation, the largest shareholder of FSG Holding; and (ii) being a settlor of another trust, which in turn is interested in the entire issued share capital of Fast Answer Limited, the third largest shareholder of FSG Holding. Together, Mr. Tan Tize Shune is interested in an aggregate of 48.15% of the issued share capital of FSG Holding. Accordingly, Mr. Tan Tize Shune is deemed or taken to be interested in approximately 16.74% of the issued share capital of the Company in which FSG Holding is interested in.
- Perfect Score is a direct wholly-owned subsidiary of Zhongfu and Zhongfu is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.
- Zhongfu is a direct wholly-owned subsidiary of Hongfu and Hongfu is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.

OTHER INFORMATION

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

Save as disclosed above, as at June 30, 2021, 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, 2021.

No incident of non-compliance with the Model Code by the Directors was noted by the Company during the six months ended June 30, 2021.

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK5.64 cents per Share for the six months ended June 30, 2021 (2020: HK3.28 cents per Share). The interim dividend will be paid to the Shareholders on Wednesday, October 13, 2021. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, September 27, 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, September 23, 2021 to Monday, September 27, 2021, 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 Tuesday, September 21, 2021.



OTHER INFORMATION

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 the opinion that the Company has complied with the code provisions as set out in the CG Code throughout the six months ended June 30, 2021.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 have 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 is included in this interim report.

The Audit Committee of the Company, comprising three independent non-executive Directors, namely, Mr. Ho Man (Chairman of the Audit Committee), Mr. Luo Zhuping and Mr. Chen Xin, and one non-executive Director, namely, Mr. Huang James Chih-cheng, has reviewed together with the management the accounting principles and policies adopted by the Group, and the Group’s unaudited interim results for the six months ended June 30, 2021.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS 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 30 to 58, which comprise the condensed consolidated statement of financial position as of June 30, 2021 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 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 20, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	NOTES	For the six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	1,141,620	733,879
Operating expenditures			
Staff costs		(233,121)	(153,184)
Construction costs		(44,146)	(23,054)
Consumed materials and goods		(91,374)	(51,319)
Outsourced service costs		(21,465)	(18,682)
Marketing and sales channel costs		(23,775)	(15,224)
Depreciation and amortisation		(72,535)	(63,771)
Other general operating expenditures		(90,623)	(55,132)
Inventory changes		4,592	3,282
Impairment losses under expected credit loss model ("ELC"), net of reversal	16	(3,821)	—
Profit from operations		565,352	356,795
Other income, gains and losses	6	47,350	35,714
Share of loss of joint ventures		(3,765)	(134)
Finance costs	5	(2,682)	(4,626)
Profit before taxation	7	606,255	387,749
Income tax expense	8	(150,620)	(80,363)
Profit and total comprehensive income for the Period		455,635	307,386
Profit and total comprehensive income attributable to:			
Owners of the Company		367,373	247,483
Non-controlling interests		88,262	59,903
		455,635	307,386
		RMB cents	RMB cents
Earnings per share — Basic	10	16.1	10.9
— Diluted	10	16.1	10.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Non-current assets			
Property and equipment	11	593,968	567,924
Right-of-use assets	11	120,804	126,464
Investment property		6,509	6,509
Intangible assets	11	179,445	182,626
Goodwill		860,637	860,637
Financial assets at fair value through profit or loss ("FVTPL")	17	345,546	38,110
Deposits paid for acquisition of land use rights		9,054	89,404
Cemetery assets	12	1,834,780	1,798,059
Investment in an associate		750	750
Investments in joint ventures	13	199,105	50,709
Restricted deposits		66,307	61,403
Restricted cash for acquisition of a subsidiary		83,200	—
Deferred tax assets	14	61,540	57,865
Other long-term assets		5,000	5,000
		<u>4,366,645</u>	<u>3,845,460</u>
Current assets			
Inventories	15	510,594	502,263
Trade and other receivables	16	177,748	113,503
Financial assets at fair value through profit or loss	17	572,344	982,927
Time deposits	18	332,013	—
Bank balances and cash	19	984,846	1,234,022
		<u>2,577,545</u>	<u>2,832,715</u>
Current liabilities			
Trade and other payables	20	565,242	648,760
Lease liabilities		20,533	21,206
Contract liabilities	22	68,172	55,876
Loans from non-controlling shareholders of subsidiaries		30,360	35,919
Income tax liabilities		159,530	160,275
Borrowings	21	18,860	13,860
		<u>862,697</u>	<u>935,896</u>
Net current assets		<u>1,714,848</u>	<u>1,896,819</u>
Total assets less current liabilities		<u>6,081,493</u>	<u>5,742,279</u>

(Continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2021

	NOTES	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Non-current liabilities			
Contract liabilities	22	401,539	377,035
Other long-term liabilities		32,992	32,992
Deferred tax liabilities	14	137,317	138,399
Lease liabilities		41,653	51,767
		<u>613,501</u>	<u>600,193</u>
Net assets		<u>5,467,992</u>	<u>5,142,086</u>
Capital and reserves			
Share capital	23	142,179	141,510
Reserves		4,731,011	4,426,371
Equity attributable to owners of the Company		4,873,190	4,567,881
Non-controlling interests		594,802	574,205
Total equity		<u>5,467,992</u>	<u>5,142,086</u>

The condensed consolidated financial statements on pages 30 to 58 were approved and authorized for issue by the Board of Directors on August 20, 2021 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, 2021

	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Subtotal attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2020 (Audited)	137,748	—	1,283,466	84,667	138,800	(105,993)	59,257	2,445,125	4,043,070	542,143	4,585,213
Profit and total comprehensive income for the Period	—	—	—	—	—	—	—	247,483	247,483	59,903	307,386
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	6,656	6,656
Dividends recognised as distributions (Note 9)	—	—	(88,976)	—	—	—	—	—	(88,976)	—	(88,976)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(103,713)	(103,713)
Transfer to statutory reserve	—	—	—	—	2,245	—	—	(2,245)	—	—	—
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	16,860	16,860
Share purchased by trustee under the restricted share incentive scheme (Note 24(b))	—	(190,069)	1,351	—	—	—	—	—	(188,718)	—	(188,718)
Exercise of share options	2,507	—	200,436	—	—	—	(35,091)	—	167,852	—	167,852
Share based compensation	—	—	—	—	—	—	1,607	—	1,607	—	1,607
At June 30, 2020 (Unaudited)	140,255	(190,069)	1,396,277	84,667	141,045	(105,993)	25,773	2,690,363	4,182,318	521,849	4,704,167
At December 31, 2020 (Audited)	141,510	(190,069)	1,424,667	84,667	177,803	(105,993)	9,110	3,026,186	4,567,881	574,205	5,142,086
Profit and total comprehensive income for the Period	—	—	—	—	—	—	—	367,373	367,373	88,262	455,635
Dividends recognised as distributions (Note 9)	—	—	(105,476)	—	—	—	—	—	(105,476)	—	(105,476)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(74,856)	(74,856)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	7,191	7,191
Share purchased or dividends received by trustee under the restricted share incentive scheme (Note 24(b))	—	—	1,582	—	—	—	—	—	1,582	—	1,582
Exercise of share options	669	—	50,271	—	—	—	(9,110)	—	41,830	—	41,830
At June 30, 2021 (Unaudited)	142,179	(190,069)	1,371,044	84,667	177,803	(105,993)	—	3,393,559	4,873,190	594,802	5,467,992

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	606,255	387,749
Adjustments for:		
Finance costs	2,682	4,626
Interest income	(13,891)	(21,821)
Gain on fair value changes of financial assets at FVTPL	(14,946)	(3,740)
Depreciation of property and equipment	25,602	23,377
Amortization of right-of-use assets	12,033	11,916
Amortization of intangible assets	3,864	3,877
Amortization of cemetery assets	31,036	24,601
Net loss (gain) on disposal of property and equipment	340	(71)
Share of loss of joint ventures	3,765	134
Expense recognised in respect of equity-settled share based payments	—	1,607
Impairment losses under expected credit loss model, net of reversal	3,821	—
Operating cash flows before movements in working capital	660,561	432,255
Increase in restricted deposits	(4,904)	(3,072)
Decrease (increase) in cemetery assets and inventories	33,222	(5,506)
Decrease of deposits paid for acquisition of land as cemetery assets	10,330	—
(Increase) decrease in trade and other receivables	(18,917)	11,558
Decrease in trade and other payables	(56,486)	(43,883)
Increase in contract liabilities	36,800	13,168
Cash generated from operations	660,606	404,520
Income taxes paid	(156,122)	(91,644)
NET CASH GENERATED FROM OPERATING ACTIVITIES	504,484	312,876
INVESTING ACTIVITIES		
Purchase of and deposits paid for property and equipment and landscape and facilities	(100,866)	(79,580)
Purchase of computer software	(683)	(3,946)
Payment for contract fee and property and equipment for operating funeral and burial projects	—	(29,476)
Payment to purchase right-of-use asset	(3,074)	—
Proceeds on disposal of property and equipment	1,176	300
Restricted cash for acquisition of a subsidiary	(83,200)	—
Considerations paid for acquisition of subsidiaries	(18,000)	(9,713)
Interest received	14,821	26,086
Gain received from fair value changes of financial assets at FVTPL	7,510	3,740
Investments to joint ventures	(152,161)	—
Repayment of entrusted loan	4,000	1,500
Loans to third parties in connection with cemetery projects	(53,844)	—
Withdrawal of time deposits	—	8,459
Placement of time deposits	(332,013)	(225,500)
Withdrawal of financial assets at FVTPL	917,883	356,610
Purchase of financial assets at FVTPL	(807,300)	(578,370)
NET CASH USED IN INVESTING ACTIVITIES	(605,751)	(529,890)

(Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	5,000	50,000
Repayment of borrowings	—	(40,000)
Repayments to non-controlling shareholders of subsidiaries	(6,000)	(3,000)
Capital contribution from non-controlling shareholders of subsidiaries	7,191	7,060
Interest paid	(1,464)	(2,908)
Considerations paid for acquisition of non-controlling interests of subsidiaries	(800)	(135,150)
Dividends paid to non-controlling shareholders of subsidiaries	(74,488)	(103,001)
Dividends paid to owners of the Company	(103,894)	(88,976)
Proceeds from exercise of share options	41,830	167,852
Payment for repurchase of ordinary shares	—	(188,718)
Loans from non-controlling shareholders of subsidiaries	200	—
Repayments of lease liabilities	(15,484)	(10,671)
Repayments of other long-term liabilities	—	(250)
NET CASH USED IN FINANCING ACTIVITIES	(147,909)	(347,762)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(249,176)	(564,776)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,234,022	2,007,142
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	984,846	1,442,366

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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 have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 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 other services.

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on historical cost basis except for investment property and certain financial instruments, which are measured at fair value at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

3. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of amendments to IFRSs – *continued*

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

4A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Geographical markets		
Mainland China	<u>1,141,620</u>	<u>733,879</u>
Timing of revenue recognition		
A point in time	<u>1,114,500</u>	705,311
Over time	<u>27,120</u>	<u>28,568</u>
Total	<u><u>1,141,620</u></u>	<u><u>733,879</u></u>

4B. OPERATING SEGMENTS

Information reported to the Group's Chief Executive 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. Other services – including provision of landscape and garden design services, and production and sale of cremation machines and the related maintenance services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

4B. OPERATING SEGMENTS – *continued*

Segment revenues and results

	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
<i>For the six months ended June 30, 2021</i>						
<i>(unaudited):</i>						
External sales	969,118	162,124	10,378	1,141,620	—	1,141,620
Inter-segment sales	—	—	6,831	6,831	(6,831)	—
Total	<u>969,118</u>	<u>162,124</u>	<u>17,209</u>	<u>1,148,451</u>	<u>(6,831)</u>	<u>1,141,620</u>
Segment profit (loss)	<u>550,567</u>	<u>24,960</u>	<u>(10,637)</u>	<u>564,890</u>	<u>462</u>	<u>565,352</u>
Other income, gains and losses						47,350
Share of loss of joint ventures						(3,765)
Finance costs						<u>(2,682)</u>
Profit before taxation						<u>606,255</u>
	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
<i>For the six months ended June 30, 2020</i>						
<i>(unaudited):</i>						
External sales	618,830	102,146	12,903	733,879	—	733,879
Inter-segment sales	—	—	3,451	3,451	(3,451)	—
Total	<u>618,830</u>	<u>102,146</u>	<u>16,354</u>	<u>737,330</u>	<u>(3,451)</u>	<u>733,879</u>
Segment profit (loss)	<u>358,777</u>	<u>10,127</u>	<u>(13,589)</u>	<u>355,315</u>	<u>1,480</u>	<u>356,795</u>
Other income, gains and losses						35,714
Share of loss of joint ventures						(134)
Finance costs						<u>(4,626)</u>
Profit before taxation						<u>387,749</u>

The accounting policies of the operating segments are similar to those of the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of other income, gains and losses, share of loss of joint ventures 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, 2021



5. FINANCE COSTS

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expense on borrowings	633	2,029
Interest expense on loans from non-controlling shareholders of subsidiaries	837	1,065
Interest accretion for lease liabilities	1,212	1,532
Total finance costs	<u>2,682</u>	<u>4,626</u>

6. OTHER INCOME, GAINS AND LOSSES

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income	13,891	21,821
Gain on fair value changes of financial assets at FVTPL	14,946	3,740
Government grants	21,065	11,092
Net foreign exchange (loss) gain	(1,356)	237
Net (loss) gain on disposal of property and equipment	(340)	71
Others	(856)	(1,247)
Total	<u>47,350</u>	<u>35,714</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Staff costs, including remuneration of the Directors		
Salaries, wages, bonus and other benefits	219,144	141,631
Retirement benefits scheme contributions	13,977	9,946
Share based payments expenses	—	1,607
Total staff costs	<u>233,121</u>	<u>153,184</u>
Depreciation of property and equipment	25,602	23,377
Amortization of right-of-use assets	12,033	11,916
Amortization of intangible assets	3,864	3,877
Amortization of cemetery assets	<u>31,036</u>	<u>24,601</u>

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("PRC EIT")		
Current period	155,377	89,753
Over provision in prior years	—	(1,988)
Deferred tax (Note 14)	<u>(4,757)</u>	<u>(7,402)</u>
	<u>150,620</u>	<u>80,363</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021



9. DIVIDENDS

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the Period		
2020 Final — HK5.53 cents (2020: 2019 final dividend — HK4.21 cents) per share	<u>105,476</u>	<u>88,976</u>

Subsequent to the end of the current interim period, the Directors have declared an interim dividend of Hong Kong Dollar (“HK\$”) 5.64 cents per share (2020: HK\$3.28 cents per share).

10. 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,	
	2021 (Unaudited)	2020 (Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (RMB'000)	<u>367,373</u>	<u>247,483</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,284,987,541</u>	2,261,276,845
Effect of dilutive potential ordinary shares:		
Share options	<u>220,920</u>	<u>13,601,842</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,285,208,461</u>	<u>2,274,878,687</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

11. MOVEMENTS IN PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the Period, the Group acquired property and equipment of approximately RMB53,162,000 (six months ended June 30, 2020: RMB112,829,000).

During the Period, the Group disposed of property and equipment with carrying amount of approximately RMB1,516,000 (six months ended June 30, 2020: RMB229,000) for cash proceeds of approximately RMB1,176,000 (six months ended June 30, 2020: RMB300,000) resulting in a loss on disposal of approximately RMB340,000 (six months ended June 30, 2020: gain on disposal of approximately RMB71,000).

As at June 30, 2021, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB137,412,000 (December 31, 2020: RMB144,287,000) had not been obtained.

During the Period, the Group entered into several new lease agreements with lease terms ranging from 2 to 5 years. The Group is required to make regular fixed payments to the lessors. Upon lease commencement, the Group recognised right-of-use assets of RMB6,373,000 (six months ended June 30, 2020: RMB19,714,000) and lease liabilities of RMB3,271,000 (six months ended June 30, 2020: RMB4,691,000).

During the Period, the Group acquired intangible assets of approximately RMB683,000 (six months ended June 30, 2020: RMB7,097,000).

12. CEMETERY ASSETS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Land costs	1,220,014	1,192,277
Landscape facilities	246,550	236,555
Development costs	368,216	369,227
	<u>1,834,780</u>	<u>1,798,059</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

13. INVESTMENTS IN JOINT VENTURES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Cost of investments in joint ventures	203,042	50,881
Share of loss of joint ventures	(3,937)	(172)
	<u>199,105</u>	<u>50,709</u>

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity [#]	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Cost of investment by the Group		Principal activity
			June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	
			%	%	%	%	RMB'000	RMB'000	
Jiaxing Fuji Equity Investment Partnership (Limited Partnership) 嘉興福冀股權投資合夥企業(有限合夥) (“Jiaxing Fuji”) (Note)	PRC	PRC	49.89	49.89	40	20	202,042	49,881	Investment holding
Zhengzhou Baishan Fushou Life Culture Service Co., Ltd. 鄭州百善福壽生命文化福壽文化服務有限公司	PRC	PRC	50	50	50	50	1,000	1,000	Investment holding

#: The English names of both joint ventures established in the PRC are translated for identification purpose only.

Note: In June 2021, a supplementary agreement to the limited partnership agreement was entered into, whereby the Group was able to nominate 2 out of 5 members (previously 1 out of 5 members) in the investment committee of Jiaxing Fuji. Hence, the Group's proportion of voting rights in the investment committee of Jiaxing Fuji increased from 20% as at December 31, 2020 to 40% as at June 30, 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

14. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the six months ended June 30, 2021:

	Timing differences arising from certain accruals and liabilities RMB'000	Unused tax losses RMB'000	Fair value adjustment RMB'000	Total RMB'000
At January 1, 2020 (audited)	35,438	16,953	(91,834)	(39,443)
Acquisition of subsidiaries	—	—	(9,307)	(9,307)
Credit to profit or loss (Note 8)	1,548	4,088	1,766	7,402
At June 30, 2020 (unaudited)	<u>36,986</u>	<u>21,041</u>	<u>(99,375)</u>	<u>(41,348)</u>
At January 1, 2021 (audited)	40,355	15,465	(136,354)	(80,534)
Credit to profit or loss (Note 8)	3,162	521	1,074	4,757
At June 30, 2021 (unaudited)	<u>43,517</u>	<u>15,986</u>	<u>(135,280)</u>	<u>(75,777)</u>

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

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 tax bureau. The following is the analysis of the deferred tax balances for financial reporting purposes:

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Deferred tax assets	61,540	57,865
Deferred tax liabilities	(137,317)	(138,399)
	<u>(75,777)</u>	<u>(80,534)</u>

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.

The Group has unused tax losses of approximately RMB159,228,000 (December 31, 2020: RMB154,858,000) as at June 30, 2021. Deferred tax assets have been recognised in respect of approximately RMB63,951,000 (December 31, 2020: RMB61,865,000) of such losses as at June 30, 2021. No deferred tax assets have been recognised in respect of the remaining approximately RMB95,277,000 (December 31, 2020: RMB92,993,000) at June 30, 2021 due to the unpredictability of future profit streams.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021



14. DEFERRED TAXATION – *continued*

Pursuant to the rules and regulations in the PRC, the unrecognised tax losses at the end of each reporting period will expire in five years. The deductible taxable losses of PRC subsidiaries, which are not recognised as deferred tax assets, will expire in the following years as below:

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
2021	2,484	2,484
2022	3,660	3,660
2023	8,698	8,698
2024	14,695	14,695
2025	20,120	20,190
2026	7,460	—
	<u>57,117</u>	<u>49,727</u>

15. INVENTORIES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Burial plots	354,040	354,966
Tombstone	86,442	94,694
Others	70,112	52,603
	<u>510,594</u>	<u>502,263</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

16. TRADE AND OTHER RECEIVABLES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Trade receivables	91,875	63,265
Less: Allowance for credit losses	(3,821)	—
	<u>88,054</u>	<u>63,265</u>
Other receivables comprise:		
Prepayments and rental deposits on properties	1,461	2,369
Staff advances	2,962	3,492
Entrusted loan	2,950	6,950
Loans to third parties in connection with cemetery projects	53,844	—
Deposits for new projects	4,263	4,502
Prepayments to suppliers	11,373	19,602
Interest receivables	842	1,772
Others	11,999	11,551
Less: Allowance for credit losses	—	—
	<u>177,748</u>	<u>113,503</u>

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

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Within one year	80,616	54,969
Over one year but less than two years	5,383	7,270
Over two years but less than three years	1,415	660
Over three years	640	366
	<u>88,054</u>	<u>63,265</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

16. TRADE AND OTHER RECEIVABLES – *continued*

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

Movement of loss allowance on trade receivables for the Period ended June 30, 2021:

	Lifetime ECL (not credit impaired) RMB'000 (Unaudited)
At December 31, 2020 (Audited)	—
Credit losses recognised	<u>3,821</u>
At June 30, 2021 (Unaudited)	<u><u>3,821</u></u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Unlisted cash management products (a)	<u>572,344</u>	982,927
Equity investment (b)	<u>345,546</u>	<u>38,110</u>
	<u><u>917,890</u></u>	<u><u>1,021,037</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

(a) Unlisted cash management products

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

Details of the structural deposit and a number of cash management products at June 30, 2021 are as follows:

Bank	Name of products	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal- guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈) No.1(note)	RMB	60,000	Redeemable on call after 1 work day on work day	2.75%	N
Shanghai Pudong Development Bank	Zhou Zhou Xiang Ying Zeng Li (「周周享盈增利」) No.1 (note)	RMB	107,000	7 days cycle	3.24%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (「天添利普惠計劃」)(note)	RMB	3,274	Redeemable on call after 1 work day on work day	2.65%	N
Shanghai Pudong Development Bank	Zhou Zhou Xiang Ying Zeng Li (「周周享盈增利」) No.1 (note)	RMB	4,000	7 days cycle	3.24%	N
Shanghai Pudong Development Bank	Cai Fu Ban Che (財富班車進取) No.4 (note)	RMB	2,600	14/07/2021	3.50%	N
Shanghai Pudong Development Bank	Yue Ying Li (悅盈利6個月定開T型) (note)	RMB	5,500	04/08/2021	3.65%	N
Shanghai Pudong Development Bank	Yue Ying Li (悅盈利6個月定開V型)(note)	RMB	1,300	05/09/2021	3.50%	N
Shanghai Pudong Development Bank	Xin Xiang Li (鑫享利系列)(note)	RMB	1,300	Redeemable on call after 180 work day on work day	3.60%	N
Shanghai Pudong Development Bank	Yue Ying Li (悅盈利12個月定開T款)(note)	RMB	1,500	06/05/2022	3.90%	N
Shanghai Pudong Development Bank	Yue Ying Li (悅盈利6個月定開N款)(note)	RMB	1,200	02/12/2021	3.90%	N
Shanghai Pudong Development Bank	Yue Ying Li (悅盈利6個月定開U款)(note)	RMB	1,000	19/08/2021	3.45%	N
Shanghai Pudong Development Bank	Li Duo Duo E Lu Fa (「利多多E路發」) B (note)	RMB	9,670	Redeemable on call after 14 work days on work day	2.85%	N
Shanghai Pudong Development Bank	Structured deposit(結構性存款)	RMB	34,000	09/07/2021	1.4%–3.6%	Y
Subtotal		RMB	232,344			
China Construction Bank	Qian Yuan Heng Ying (乾元一恒贏(法人版))(note)	RMB	190,000	Redeemable on call after 1 work day on work day	2.90%	N
China Construction Bank	Jia Xin (嘉鑫固收2021–35期)(note)	RMB	100,000	27/07/2021	3.55%	N
Subtotal		RMB	290,000			
Bank of Shanghai	Yi Jing Ling (「易精靈」) (note)	RMB	50,000	Redeemable on call after 1 work day on work day	3.20%	N
Subtotal		RMB	50,000			
Total		RMB	572,344			

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

In the opinion of the Directors, the fair value of the structured deposit and cash management products at June 30, 2021 approximated to their principal amounts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

(b) Equity investment

In July 2018, the Group has made an equity investment of Changchun Huaxia Cemetery in the amount of RMB29,000,000, accounting for 10% of the total equity interests and this equity investment was measured at FVTPL. Changchun Huaxia Cemetery is an unlisted company providing burial services in Changchun City of Jilin Province.

In the opinion of the Directors, the fair value was about RMB38.1 million as at June 30, 2021 and the fair value change of these equity investments is insignificant during the Period. The performance of Changchun Huaxia Cemetery for the Period was consistent with the expectation at time of investment decision.

During the Period, the Group entered into a limited partnership agreement with other partners in respect of the establishment of Hainan Tongyuan Equity Investment Partners Corporation (Limited Partnership) (“Hainan Tongyuan”). Pursuant to the limited partnership agreement, the Group is committed to contributing RMB300,000,000, accounting for approximately 13.04% of the total capital commitment to Hainan Tongyuan and this investment is measured at FVTPL. Hainan Tongyuan is primarily engaged in equity investment, investment management and asset management in the fields of technology, wellness of human being, food, cemetery and funeral services and etc.

As at June 30, 2021, the fair value was approximately RMB307,436,000 following the revaluation of the investment. The performance of Hainan Tongyuan for the Period was consistent with the expectation at time of investment decision.

18. TIME DEPOSITS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
RMB-denominated	300,500	—
US\$-denominated	31,513	—
	<u>332,013</u>	<u>—</u>

As at June 30, 2021, the Group had fixed-term deposits of RMB332,013,000 in banks with maturity of six months to one year and fixed interest rate ranged from 0.35% to 2.94% per annum (December 31, 2020: fixed interest rate of nil per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

19. BANK BALANCES AND CASH

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Interest rate per annum		
– RMB	0.35%	0.30%–3.70%
– HK\$	0.01%	0.01%
– US\$	0.05%	0.05%–1.20%

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
HK\$	45,510	113,936
US\$	749	8,572
	<u>46,259</u>	<u>122,508</u>

20. TRADE AND OTHER PAYABLES

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Trade payables	<u>229,334</u>	<u>245,326</u>
Other payables comprise:		
Advances and deposits from customers	48,047	26,958
Payables for acquisition of property and equipment	793	742
Salary, welfare and bonus payables	111,121	139,546
Other accrued expenses	53,627	71,516
Consideration payable for acquisition of subsidiaries	83,246	102,188
Consideration payable for acquisition of non-controlling interests of subsidiaries	6,370	7,170
Others	<u>32,704</u>	<u>55,314</u>
	<u>565,242</u>	<u>648,760</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

20. TRADE AND OTHER PAYABLES – *continued*

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
0 – 90 days	62,502	112,627
91 – 180 days	60,788	14,070
181 – 365 days	39,488	35,633
Over 365 days	66,556	82,996
	<u>229,334</u>	<u>245,326</u>

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

21. BORROWINGS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Borrowings carry at variable interest rate		
– Secured by the Group's equity interest in a subsidiary	13,860	13,860
Borrowings carry at fixed interest rate		
– Unsecured	5,000	–
	<u>18,860</u>	<u>13,860</u>
Less: amounts due within one year shown under current liabilities	<u>(18,860)</u>	<u>(13,860)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

The Group's variable-rate bank borrowings carry interests at the Loan Prime Rate announced by People's Bank of China adjusted by a premium. For the Period, the interest rates of the variable-rate borrowings was 4.25% per annum (December 31, 2020: 4.35% per annum).

The Group's fix-rate bank borrowings carry interests at 3.90% for the Period (December 31, 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

21. BORROWINGS – *continued*

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

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net book value of the Group's equity interest in subsidiaries	<u>157,602</u>	<u>137,291</u>

22. CONTRACT LIABILITIES

Contract liabilities represent the portion of the revenue generated from the provision of burial and funeral services that has not been earned as revenue in accordance with the revenue recognition policy and the nature of the business.

23. SHARE CAPITAL

Issued and fully paid:

	Number of shares	Amount US\$	Share capital RMB'000
At January 1, 2021 (Audited)	2,310,057,922	23,100,579	141,510
Exercise of share options (Note 24)	<u>10,308,500</u>	<u>103,085</u>	<u>669</u>
At June 30, 2021 (Unaudited)	<u>2,320,366,422</u>	<u>23,203,664</u>	<u>142,179</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, 2021

24. SHARE BASED COMPENSATION

(a) 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. Set out below are details of movements in the outstanding options granted under the Share Option Scheme during the six months ended June 30, 2021:

	Batch	Date of grant	Exercise price per Share (HK\$)	Number of options				
				Options balance outstanding as at January 1, 2021	Granted during the six months ended June 30, 2021	Exercised during the six months ended June 30, 2021	Lapsed during the six months ended June 30, 2021	Options balance outstanding as at June 30, 2021
Directors								
Lu Hesheng	Share Option E	March 20, 2017	4.850	500,000	—	(500,000)	—	—
Chen Qunlin	Share Option E	March 20, 2017	4.850	300,000	—	(300,000)	—	—
Luo Zhuping	Share Option E	March 20, 2017	4.850	300,000	—	(300,000)	—	—
Ho Man	Share Option E	March 20, 2017	4.850	300,000	—	(300,000)	—	—
				<u>1,400,000</u>	<u>—</u>	<u>(1,400,000)</u>	<u>—</u>	<u>—</u>
Other employees	Share Option E	March 20, 2017	4.850	8,908,500	—	(8,908,500)	—	—
Total				<u>10,308,500</u>	<u>—</u>	<u>(10,308,500)</u>	<u>—</u>	<u>—</u>
Exercisable at January 1, 2021 and June 30, 2021				<u>10,308,500</u>				<u>—</u>
Weighted average exercise price (HK\$)				4.850		4.850		—

As at June 30, 2021, nil (December 31, 2020: 10,308,500) share options remain outstanding under the Share Option Scheme, representing nil (December 31, 2020: 0.45%) of the ordinary shares of the Company in issue at that date.

In respect of the share options exercised during the Period, the weighted average closing price of the Company’s shares immediately before the dates on which the options were exercised was HK\$7.35 (for the six-month ended June 30, 2020: HK\$7.04).

The Group recognised the total expense of approximately RMB nil (for the six-month ended June 30, 2020: RMB1,607,000) for the six-month ended June 30, 2021 under Share Option Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

24. SHARE BASED COMPENSATION – *continued*

(b) Restricted Share Incentive Scheme

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

During the year of 2020, the trustee of the restricted share incentive scheme purchased 34,800,000 of the Company's shares from the open market. The total amount paid to acquire the shares was approximately RMB190,069,000 and has been deducted from shareholders' equity as at December 31, 2020. The shares purchased by the trustee that are not yet vested for this restricted share incentive scheme were recorded as treasury shares of the Group. As at June 30, 2021, there were 34,800,000 treasury shares held through the trustee of the restricted share incentive scheme, and no such shares have been granted.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following tables give information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis – *continued*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	June 30, 2021 (unaudited)	December 31, 2020 (audited)		
Financial assets at FVTPL	Structured deposit and cash management products in PRC of RMB572,344,000	Cash management products in PRC of RMB982,927,000	Level 3	Discounted cash flows Key unobservable input are: (1) Expected return; (2) Risk-adjusted discount rate (Note)
Unlisted equity investment	Equity interests in Changchun Huaxia Cemetery of RMB38,110,000	Equity interests in Changchun Huaxia Cemetery of RMB38,110,000	Level 3	Income approach Key unobservable inputs are: (1) Long term revenue growth rates, taking into management's experience and knowledge of market conditions of the specific industry; (2) Weighted average cost of capital
Unlisted equity investment	Equity interests in Hainan Tongyuan of RMB307,436,000		– Level 3	Discounted cash flows Key unobservable input are: (1) Expected return; (2) Risk-adjusted discount rate

Note: The Directors consider that the impact of the fluctuation in expected discount rate of the structured deposit and cash management products was insignificant as the structured deposit and cash management products have short maturities, therefore no sensitivity analysis is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis – *continued*

There is no transfer among level 1, 2 and 3 during the Period.

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL RMB'000
At January 1, 2020 (audited)	455,690
Total gains:	
– in profit or loss	3,740
Purchase	578,370
Settlement	<u>(360,350)</u>
At June 30, 2020 (unaudited)	<u>677,450</u>
At January 1, 2021 (audited)	1,021,037
Total gains:	
– in profit or loss	14,946
Purchase	807,300
Settlement	<u>(925,393)</u>
At June 30, 2021 (unaudited)	<u>917,890</u>

Of the total gains for the Period included in profit or loss, RMB14,946,000 relates to financial assets designated at FVTPL held during the Period (during the same period of last year: a gain of RMB3,740,000). Fair value gains on financial assets designated at FVTPL are included in 'other income, gains and losses'.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

26. CONTINGENCIES AND COMMITMENTS

(a) Capital and other commitments

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Acquisition of property and equipment and cemetery assets:		
– contracted for but not provided in the condensed consolidated financial statements	<u>67,915</u>	<u>86,095</u>
Acquisition of subsidiaries:		
– contracted for but not provided in the condensed consolidated financial statements	<u>133,200</u>	<u>—</u>

(b) Contingent liabilities

Before the completion of the acquisition of Wuyuan Wanshoushan Cemetery in 2015, Mr. Liang Lihua (梁利華) (“Mr. Liang”), the selling shareholder of the 98.6% equity, 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 loans and guarantees to the Group before the completion of the acquisition of Wuyuan Wanshoushan Cemetery.

As of the date of these condensed consolidated financial statements, the creditors of Mr. Liang and the purported creditors of Wuyuan Wanshoushan Cemetery brought a total of 12 lawsuits against Mr. Liang and Wuyuan Wanshoushan Cemetery (the “Proceedings”) of which 7 were either settled, subsequently withdrawn or concluded by the Province People’s Courts and other courts resulting in an approximately RMB2.3 million net settlement paid by the Group.

The total claims on the remaining 5 Proceedings (the “Remaining Proceedings”) awarded in favor of the plaintiffs in the second instance of the High People’s Court of Jiangxi Province or Shangrao Intermediate People’s Court, Jiangxi Province, are approximately RMB60.9 million (where appropriate, including the interests accrued up to the date of these condensed consolidated financial statements). In one of the 5 cases, buildings of Wuyuan Wanshoushan Cemetery were restricted by court with carrying amount of RMB7.6 million as at June 30, 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

26. CONTINGENCIES AND COMMITMENTS – *continued*

(b) Contingent liabilities – *continued*

However, the public security department had filed investigation for suspected crimes on the relevant personnel involved in the lawsuits.

Based on the expert advices of the independent PRC legal counsel, the Directors are of the view that if the relevant suspected crimes are confirmed, Wuyuan Wanshoushan Cemetery will be exempted from the potential guarantee or repayment liability.

As of the date of these condensed consolidated financial statements, after taking into account of the legal opinions provided by the independent PRC legal counsel and the current status of the Remaining Proceedings, the Directors are of the view that the Remaining Proceedings will in the end result in a material adverse impact on the financial position and business operation of the Group is not probable and conclude that no provision shall necessarily be made. However, given the nature of the Remaining Proceedings, it would be impossible to predict the final outcome of the appeal proceedings with a sufficient degree of certainty.

27. SUBSEQUENT EVENTS

In May 2021, the Group entered into an agreement with an independent third party to acquire 100% equity interests in Anhui Longmen Cultural Cemetery Co., Ltd. (安徽龍門文化陵園有限公司, “Anhui Longmen”) with a cash consideration of RMB88.2 million included in Note 26 (a) capital and other commitments. Anhui Longmen is engaged in the provision of cemetery operation in Suzhou of Anhui Province. The acquisition was completed in August 2021. As at the interim report date, the fair value of assets acquired and liabilities recognised on the acquisition date of Anhui Longmen is under valuation process.

DEFINITIONS AND GLOSSARY

“Anyang Tianshouyuan Cemetery”	a cemetery in Anyang of Henan Province and operated by Anyang Fu Shou Yuan Civil Service Co., Ltd.* (安陽福壽園民生服務有限公司), formerly known as Anyang Wulong Civil Service Co., Ltd.* (安陽縣五龍民生服務有限公司) a limited company established under the laws of the PRC and a subsidiary of the Company
“ASP”	average unit selling price
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Changchun Huaxia Cemetery”	a cemetery in Changchun City of Jilin Province and operated by Changchun Huaxia Cemetery Co., Ltd.* (長春華夏陵園有限公司), a limited company established under the laws of PRC
“Changzhou Qifengshan Cemetery”	a cemetery in Changzhou City of Jiangsu Province and operated by Changzhou Qifengshan International Cemetery Co., Ltd.* (常州棲鳳山國際人文陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“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
“Company”, “our Company” or “Fu Shou Yuan”	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on January 5, 2012
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“FSG Holding”	FSG Holding Corporation, a company incorporated in BVI on December 6, 2011 and one of the Shareholders
“FSY Hong Kong”	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in HK on October 10, 2011. It is a direct owned subsidiary of the Company

DEFINITIONS AND GLOSSARY

“Grand Fire”	Grand Fire Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Lu Hesheng (陸鶴生), one of the non-executive Directors of the Company
“Group”, “our Group”, “us”, “we” or “Fu Shou Yuan Group”	the Company and its subsidiaries
“Harbin Mingxiyuan Cemetery”	a cemetery in Harbin, Heilongjiang Province and operated by Harbin Mingxiyuan Cemetery Co., Ltd. (哈爾濱明西園公墓有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Hongfu”	Shanghai Hongfu Investment Development Co., Ltd.* (上海鴻福投資發展有限公司), a limited liability company established in the PRC on November 28, 2000 and owned as to 50% by NGO 1 and 50% by NGO 2, one of the Company’s Shareholders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Jinsha Fuze Cemetery”	Jinsha Fuze Binzang Co., Ltd.* (金沙縣福澤殯葬有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NGO 1”	Shanghai Zhongmin Elderly Affairs Development Service Centre* (上海中民老齡事業開發服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on facility developments, and one of the Company’s indirect Shareholders
“NGO 2”	Shanghai Zhongmin Elderly Affairs Consultancy Service Centre* (上海中民老齡事業諮詢服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Qingpu Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on advisory services, and one of the Company’s indirect Shareholders

DEFINITIONS AND GLOSSARY

“Peaceful Field”	Peaceful Field Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Wang Jisheng, one of the executives Directors of the Company
“Perfect Score”	Perfect Score Group Limited, a limited liability company incorporated in BVI on June 18, 2015, one of the Company’s Shareholders and a direct wholly-owned subsidiary of Zhongfu
“Period”	the six months ended June 30, 2021
“Restricted Share Incentive Scheme”	the restricted share incentive scheme adopted by the Company with effected from November 29, 2019
“Restricted Shares”	any share(s) that may be offered by the Company to any selected participant pursuant to the Restricted Share Incentive Scheme
“RMB”	Renminbi yuan, the lawful currency of the PRC
“same period of last year”	the six months ended June 30, 2020
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Shanghai Fu Shou Yuan”	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Group Co., Ltd.* (上海福壽園實業集團有限公司), formerly known as Shanghai FSY Industry Development Co., Ltd.* (上海福壽園實業發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on December 3, 2013
“sq.m.”	square meters
“Stock Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States



DEFINITIONS AND GLOSSARY

“Wish and Catch”	Wish and Catch Limited, a limited liability company incorporated in BVI on June 28, 2013, wholly-owned by Mr. Bai Xiaojiang, the chairman and one of the executive Directors
“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
“Zhongfu”	China Zhongfu Industrial Group Limited* (中國中福實業集團有限公司), a limited liability company established in the PRC on July 15, 1985 and directly wholly-owned by Hongfu, and one of the Company’s Shareholders
“%”	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.