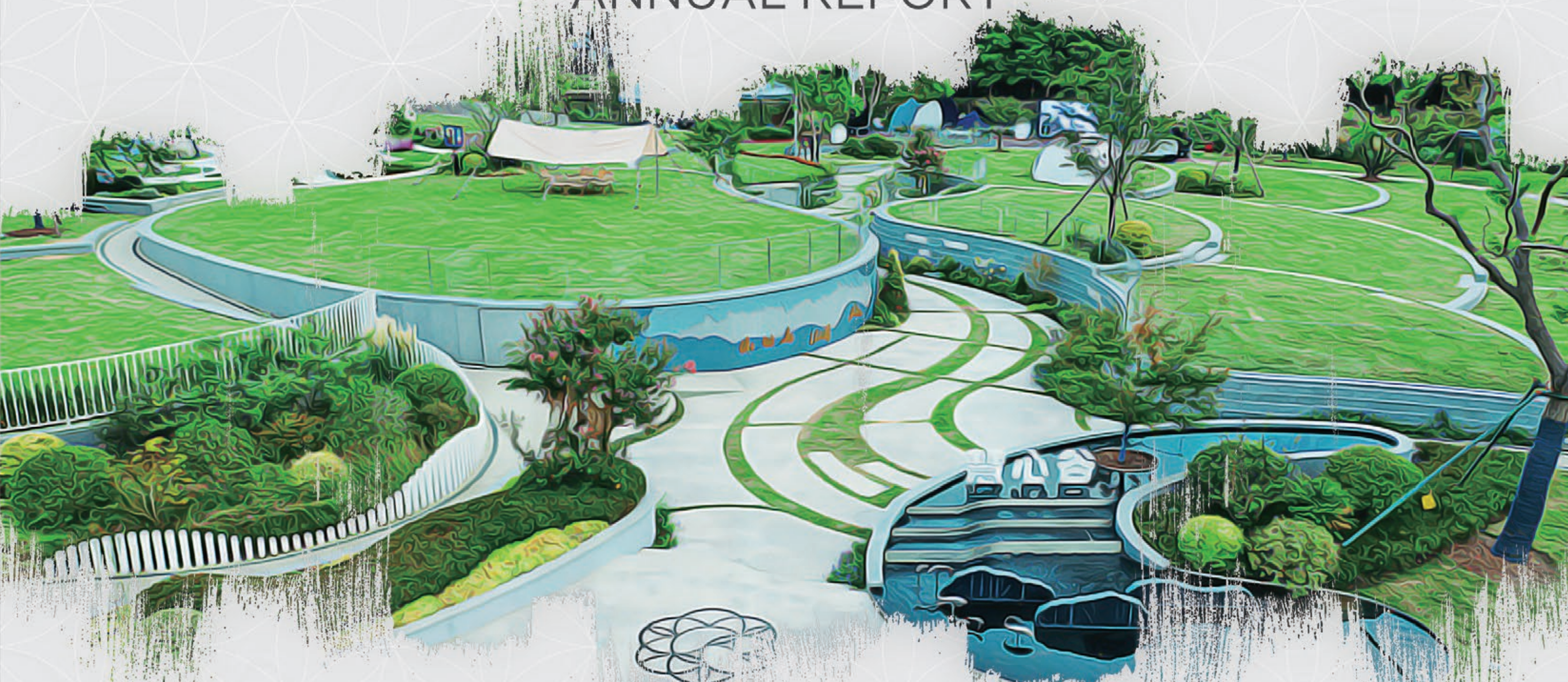
福壽園國際集團
FU SHOU YUAN INTERNATIONAL GROUP
01448.HK

2022
ANNUAL REPORT



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

Incorporated in the Cayman Islands with limited liability

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Lu Hesheng
Mr. Huang James Chih-Cheng
Ms. Zhou Lijie

Independent Non-executive Directors

Mr. Chen Qunlin
(resigned with effect from December 9, 2022)
Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun
Mr. Chen Xin

AUDIT COMMITTEE

Mr. Ho Man *(Chairman)*
Mr. Huang James Chih-Cheng
Mr. Luo Zhuping
Mr. Chen Xin

NOMINATION COMMITTEE

Mr. Bai Xiaojiang *(Chairman)*
Mr. Wang Jisheng
Mr. Chen Qunlin
(resigned with effect from December 9, 2022)
Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun
(appointed with effect from December 9, 2022)

REMUNERATION COMMITTEE

Mr. Luo Zhuping *(Chairman)*
Mr. Tan Leon Li-an
Mr. Chen Qunlin
(resigned with effect from December 9, 2022)
Ms. Liang Yanjun
(appointed with effect from December 9, 2022)

COMPLIANCE COMMITTEE

Ms. Liang Yanjun *(Chairman)*
Mr. Chen Qunlin
(resigned with effect from December 9, 2022)
Mr. Luo Zhuping
Mr. Ho Man

COMPANY SECRETARY

Ms. Hu Yi

AUTHORIZED REPRESENTATIVES

Mr. Bai Xiaojiang
Ms. Hu Yi

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

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CORPORATE INFORMATION

PRINCIPAL BANKERS

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

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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the Group's results of 2022 to all shareholders for review.

The year 2022 was an extraordinary year marked by a volatile international environment, the ongoing novel coronavirus pneumonia (COVID-19) pandemic (the "Pandemic"), intensifying geopolitical conflicts, high inflation, prominent food and energy issues and a challenging global economy. As for the domestic environment, with the settled clear direction, China's economy received strong support and continued its recovery.

In such a complex and volatile environment, the Group still managed to upgrade itself from a comprehensive funeral service provider to a comprehensive life service operator by leveraging on its comprehensive corporate strength to keep abreast of the times, and actively expanded into the field of digital life service, thus maintaining its leading position in the industry by promoting the transformation of life service through technology empowerment, thereby rounding off the year 2022 with a satisfactory performance. During the Year, the Group recorded revenue of RMB2,171.6 million, representing a decrease of 6.6% compared with 2021. Net profit was RMB810.7 million, representing a decrease of 8.9% compared with 2021, of which profit and total comprehensive income attributable to owners was RMB658.6 million, representing a decrease of 8.5% compared with 2021. The Board proposes a final dividend of HK7.58 cents per Share for 2022 to the Shareholders. Together with the interim dividend of HK5.64 cents per Share distributed during the Year, the total dividend for the full year of 2022 is HK13.22 cents per Share, which is in line with the Group's committed dividend policy to reward shareholders for the long-term trust and support.

In 2022, Fu Shou Yuan continued to respond to the national construction of "digital economy", expanded the internet thinking and embedded digital technology in traditional businesses. The launch of the "Digital Cemeteries • Huixin Valley" project marked Fu Shou Yuan's official entry into the field of digital life services. With the concept of intensification and ecology, the project effectively solved the contradiction between the scarcity of resources and the need for passing away in peace. Fu Shou Yuan always actively embraces digital transformation. In particular, it started its first attempt by introducing online tomb-sweeping service in 2001, adopted QR code technology for tombstones in 2014 and launched the "Fu Shou Cloud" platform in 2020 when the Pandemic started.

As a company committed to improve people's livelihood, Fu Shou Yuan has been investing in innovation and development in recent years while actively fulfilling its corporate social responsibility. Through in-depth exchanges and cooperation with different parties from more sectors and industries, it aspires to bring the life service business from the back end to a broader front, thus extending the reach of personalised life services to the general public. To this end, starting from 2015, Fu Shou Yuan has taken a bold step forward by introducing the concept of "pre-need contract", a well-developed pre-need planning business overseas, to the Chinese market for the first time. After nearly seven years of incubation and development, Fu Shou Yuan has implemented the "pre-need contract" service in more than ten provinces and nearly 40 cities across China, and has also developed a network tracing management model with specific responsibilities assigned to designated persons.

CHAIRMAN'S STATEMENT

On September 29, 2022, Fu Shou Yuan held the first "Fu Shou Yuan Public Welfare Festival" with industry characteristics on the basis of various ongoing public welfare projects. Through this platform, the Shanghai Fu Shou Yuan Public Welfare Development Foundation launched the "Family Hospice Program" (家庭病末安寧計劃) and the "$1,000 Posthumous Care" (千元身後事) public welfare project, thus realizing the vision of providing "hospice care service" and "free funeral service" for the benefit of the general public. The public welfare festival will be held successively in more than 40 cities covered by Fu Shou Yuan International Group to pool public welfare resources from different places and promote value creation from all sides, thereby building a heart-warming public welfare ecosystem for the whole society. The "Special Fund for Respecting Heroes" jointly established by the Shanghai Foundation for Supporting the Military and Families, the Shanghai Fu Shou Yuan Public Welfare Development Foundation and the Shanghai Yongfu Charity Foundation aims to specially care for the heroic models of troops stationed in Shanghai, veterans and other recipients of preferential treatment with practical public welfare projects, so that glory can be passed down forever, heroes can never walk alone, social preferential treatment projects can be better reflected, meritorious service honors and awards can be carried forward, and reverence service system can be optimized.

The Group actively sought the attention of the government, insisted on supporting public welfare, benefiting the general public, and promoting ecological civilization, prioritized education and construction of facilities, advocated a new style of funeral etiquette, and actively explored innovation in the area of high-quality funeral services to continuously meet the needs of the general public for "passing away in peace". By upholding the idea of party construction and passing down the party spirit, Fu Shou Yuan will continue to establish an intelligent, efficient, environmentally friendly and heart-warming life service system to cultivate new culture in the industry.

On October 31, 2022, Fu Shou Yuan ranked among the top in terms of environmental, social and governance ("ESG") rating with a Grade AA in the "2022 ESG Rating List of Wind Hong Kong Listed Companies". As the representative of sustainable development values, ESG has become a topic of close concern to all sectors of society. Fu Shou Yuan always combines ESG concept with business development, continuously shares ESG practice achievements with users, employees and society, further promotes the organic integration of ecological benefits, social benefits and economic benefits, and realizes high-quality sustainable development. In the future, Fu Shou Yuan will further enhance its governance, continuously implement the sustainable development strategy and practice the concept of sustainable development. In terms of environment, it will integrate the concept of green and environmental protection into every aspect of development, and build an ecological civilization development framework with lean operation, environmental cremation, green funeral services, ecological tombs, low-carbon worshipping and landscape cemetery model as the core, so as to promote low-carbon, low-energy consumption and efficient operation, and contribute to ecological symbiosis and green sustainable development of the industry. On the social front, it will continue to serve the people's livelihood, continuously innovate and optimize products, inherit the urban context, and work tirelessly to meet the people's needs for a better life.

CHAIRMAN'S STATEMENT

In order to better enhance online memorial products, broaden international horizons and promote the application of online memorial technologies and services in life service industry, Fu Shou Yuan held an international thematic exchange meeting with Memories, an Australian company. Representatives of the two parties discussed and exchanged on the core advantages and product commonality of their respective products. The representatives of Memories believed that the digital twin products and metaverse commemorative products of the Group are unique and innovative, and hoped to explore the application of "Cloud Memorial" and other products in the field of life service together with Fu Shou Yuan in the future, so as to jointly promote the progress of the industry. The products of Memories emphasize on social attributes and have obvious advantages and unique characteristics in user experience and product experience, which are worth learning from. In the future, there will be huge market space for "Online Memorial" products and metaverse commemorative products, and it's believed that in markets of different countries, both parties can make good use of the advantages to jointly develop more commemorative products and seek more cooperation opportunities, so as to make commemorative products more humanistic.

Before the Winter Solstice, Fu Shou Yuan made use of modern internet technology to move funeral services to JD.com, presenting information on cemetery culture, purchase of funeral supplies, all-year-round tomb-sweeping service, and pre-need funeral packages (pre-need contracts) in a clear, open and transparent manner. The launch of Fu Shou Yuan Winter Solstice Service at JD.com is the epitome of changes in Chinese tomb-sweeping culture, and Chinese funeral and filial piety culture are changing, the traditional form of tomb-sweeping will be more adapted to modern lifestyle and better reflect the inheritance and continuation of family culture, which will also become an opportunity for people to strengthen family ties and promote communication among family members.

Looking back, the Group has been adhering faithfully to the original aspiration of "running a good enterprise and changing the entire industry" and actively pursuing breakthroughs in corporate development, product transformation and service improvement in order to provide services that are beautiful in the landscape, sophisticated in technology and rooted in culture. Going forward, Fu Shou Yuan will follow the development strategy from a funeral service provider to a comprehensive life service operator and extend Fu Shou Yuan from the earthly realm to the spiritual realm. The Group will also persist in providing and constantly creating high-quality life services for the general public, strive to become the participant and practitioner of funeral industry reform, follow the development direction of modern life services, stay true to its original mission and march forward with courage and diligence. We will persevere through all adversity and hold on to the last.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

As China advances into a moderately prosperous society in all respects and reaching a new historical starting point, promoting people's well-being to a new level and continuously enhancing people's sense of satisfaction, happiness and security is becoming the key goals of China's future development in people's livelihood. In the new era, people's desire for a better life has extended from "life" to "death". Improving the quality of people's funeral services and achieving a "peaceful death" have become the major issues in the field of death care service and have been promoting the development of China's death care service industry in depth.

In recent years, the level of China's urbanization has advanced steadily. According to the latest information published by the National Bureau of Statistics of China, as of the end of 2022, China's resident population in urban areas reached 920.71 million, representing an increase of 6.46 million compared to the end of 2021, while the urbanization rate reached 65.2%, representing an increase by 0.5 percentage point compared with the end of 2021. In the meantime, population aging has further intensified in China. The number of people aged 60 and above reached 280.04 million at the end of 2022, accounting for 19.8% of the total population. The number increased by 12.68 million compared to the end of 2021, representing a rise of 0.9 percentage point in its proportion to the overall population. During the 14th Five-Year Plan period, the population born in the second birth peak in the 1960s successively entered old age, resulting in a sharp increase in China's aging population. In addition, with the continuous advancement of funeral reforms and customs transforms, the cremation rate of remains in China continues to increase rapidly. In 2021, 5.966 million bodies were cremated nationwide, with the cremation rate reaching 58.8%, 3.1 percentage points higher than in 2020. Looking ahead, the acceleration of the new urbanization process, the aging population trend and the increased cremation rate of remains will continuously give rise to a massive demand for death care services in the market.

Despite the significant impact on China's consumer market and the operations of service companies caused by the Pandemic in 2022, the long-term positive fundamentals of consumer development remained unchanged. With the optimal implementation of the pandemic prevention and control policies and the orderly recovery of the consumption scene, the economic activeness of the service industry continued to rise, and the consumer market continued to recover and improve. In 2022, the disposable income per capita of urban residents was RMB49,283, representing a nominal growth of 3.9% and an actual growth of 1.9% compared to 2021. In addition, the trend of consumption upgrading in China has not changed, the residents' demand for quality continues to increase, the concept of green and environmental protection has become more popular, and the desire for service consumption remains strong. As a warm funeral service, while satisfying the basic funeral service needs, we will also meet the growing diversified and differentiated service requirements of the public with high quality, multi-level service content and more convenient service scenarios to reflect the humanistic care and emotional comfort for the deceased and the families of the deceased.

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, the death care service sector in China has been continuously deepening reform and innovation, strengthening system construction, and advancing the modernization of the governance system and governance capacity in death care service. Since 2021, the Ministry of Civil Affairs of the PRC and governments at all levels have issued the 14th Five-Year Plan on the Development of Civil Affairs (《「十四五」民政事業發展規劃》), which will further improve the public death care service system, and improve the government's ability to provide basic death care services. It 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 sector, while further standardizing and strengthening the management of death care services, standardizing the business conduct of death care intermediaries and service providers, and establishing a sound and comprehensive regulatory mechanism. Besides, the Regulations on Funeral and Interment Control (《殯葬管理條例》) has been included in the legislative work plan of the Ministry of Civil Affairs and its revision is being actively promoted. The revision of the Regulations on Funeral and Interment Control will deepen the death care reform, improve the death care service system, and help rectify the chaos in the industry. It further standardizes death care behaviors, strengthens 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, we have always been at the forefront of the industry in terms of compliance with the law, and we believe the 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 of their intellectual and cultural needs.

The "Decentralization-Control-Service" reform is also being steadily implemented. In March 2022, the State Council issued the Guiding Opinions on Accelerating the Standardization, Normalization and Facilitation of Government Services (《關於加快推進政務服務標準化規範化便利化的指導意見》), which continues to optimize government services, constructs a new development layout, accelerates the transforming of government functions, deepens the "Decentralization-Control-Service" reform, continues to optimizes the operational environment, strengthens the cross-level, cross-region, cross-system, cross-department and cross-business collaborative management and services. In June 2022, the China Social News (《中國社會報》) governed by the Ministry of Civil Affairs of the PRC published a signed article, suggesting that it is necessary to accelerate the "Decentralization-Control-Service" reform in the death care service industry to clearly delineate between public welfare and the market, in order to completely solve the problem of the separation of public welfare and commercial death care service agencies. In October 2002, the State Council printed and distributed the Notice of the Key Task Division Plan for the 10th National Video and Telephone Conference on Deepening the Reform of "Decentralization, Regulation and Service" (《第十次全國深化「放管服」改革電視電話會議重點任務分工方案的通知》), which specifies and implements each "Decentralization-Control-Service" measure. The market regulation directions of the government and the "Decentralization-Control-Service" reform will further stimulate market vitality, which will be beneficial for the Group to make more positive contributions to the death care service industry.

MANAGEMENT DISCUSSION AND ANALYSIS

With regards to scientific funeral and burial, in December 2021, the Ministry of Civil Affairs issued the 14th Five-Year Plan on the Development of the Digitalization of Civil Affairs (《「十四五」民政信息化發展規劃》), which serves as a proactive effort to establish a nationwide digitalized platform for death care management services, to build a fundamental national database for digitalized death care information, and to improve the digitalized standards of death care management services. Promoting the integration of the internet and death care services and developing new service modes of such as remote funerals and online worshipping, it aims to provide more convenient death care services for the public. In the same month, the Ministry of Civil Affairs issued Specifications for Online Worshipping Services (《網絡祭祀服務規範》), which sets out the basic requirements for providing online worshipping services, service procedure, and standards for online memorial halls and its evaluation and improvement. According to incomplete statistics, during the Qingming Festival in 2022, over 21 million people participated in online worshipping, representing an increase of 192% compared with the same period of Last Year. The internet is advancing the transformation service and upgrading of death care services from traditional to modern. "Internet + death care" empowers death care services with information technology. It is accelerating the standardization of death care services and boosting the high-quality development of death care services. "To use the scientific ways of thinking and approach to give the deceased dignity, and use modern technology to enhance death care with more humane and high-end services" will be the future development direction of the death care industry.

As 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 sector, given the increasing disposable income per capita, government's vigorous promotion of traditional Chinese culture and virtues, accelerating urbanization progress, an aging population and the cremation rate of remains in the PRC in recent years, these trends not only underlie the increase in overall demand for death care services, but also demonstrate the requirements for better death care service quality and the diversification and differentiation of the substance of death care services. With the acceleration of China's population aging, the death care industry 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 service industry in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS COMMENTARY

During the Year, the international environment has become more complex and challenging given the intensified international geographical conflicts, increasingly volatile commodity market and continuous rate hike by the Federal Reserve. Meanwhile, sporadic Pandemic outbreaks were seen in many places in the PRC, when the Pandemic has spread to many provinces in the PRC, with the service industry and consuming market taking a big hit. However, as the implementation of Pandemic prevention policies were optimized and the policies to promote consumption began to take effect, the service industry and the consuming market have been on a track of resumption. In 2022, the country's GDP reached RMB121,020.7 billion, representing a year-on-year increase of 3.0% on constant price basis, and the overall economy is presenting a stable and resuming trend and is expected to continue rebound growth in 2023.

During the Year, certain cemeteries and death care service facilities of the Group are located in cities affected by the Pandemic and have implemented different degrees of pandemic prevention policies, including stationary management, as a result of which the regular operating activities of death care services have been restricted to different degrees. The Group prioritizes on assuring the safety of our customers and employees, and strictly complies with various Pandemic prevention policies and regulations, enabling all subsidiaries to weather through the Pandemic. During the same time, the Group concentrated on sustainable and fast development amidst the new era and environment. We explore in the dual dimension of both market and product, making efforts in multiple fronts including service expansion, technology leadership and cultural innovation, thereby satisfying the diversified and differentiated consumer needs of customers, especially on the spiritual front. In addition, our "Fu Shou Yuan Life Service Academy" has enhanced its front-tier research on industry and policy system, which allows us to capitalize on talent nurturing and business empowering.

In relation to cemeteries and funeral facilities, as the Group extend the strategy from China's leading funeral service provider to China's leading funeral and life technology service provider, the design and construction of our burial facilities have also made new breakthroughs via concept exploration and technological innovation, which includes the iteration and upgrades of existing cemetery products, the R&D progression in the new generation of products represented by "Huixin Valley", a thematic cemetery, as well as the refinement of the engineering management system represented by "Engineering Procurement Construction" ("EPC").

On the one hand, we continued to explore the local culture and integrate our regional culture into the design of our products across the country to enrich the cultural thickness of our products and display the cultural charm of our products. In our cemetery in Henan Province, we have planned and built thematic areas, which manifest the culture of the Central Plains across the board from the implantation of cultural aspects to the design of individual products, with rich cultural connotations. On the other hand, we have made fruitful design exploration in the three-dimensional space of our products. In our cemetery in Shanghai, the thematic areas we developed have realized a breakthrough of our products from two-dimensional space to three-dimensional space. In our cemeteries in Liaoning and Heilongjiang provinces, we have planned thematic areas to maximize the value of spatial resources through the vertical integration of land resources. In addition to iterations and upgrades of existing burial products, we further extended the definitions of our products from mere tombstone and burial place to a well-rounded consumer environment with the integration of settings, services and experience. We have accordingly developed our specialized design of ceremony burial space and divided the cemetery into different burial sceneries with unique styles and themes, which not only provides clients with scenic setup for their burial ceremony, but also becomes trending “Check-in Spot” people talk about, further increasing the overall value of the Group’s products. In addition, empowered by digital facilities, the Huixin Valley Project in Shanghai Cemetery introduced a new concept of next generation cemetery products, taking a solid step to develop our contemporary cemetery of humanistic memorial into digital life park of the future. The park did not only increase land utilization rate through stereoscopic space design, but also, through the innovation of crystal tombs, bridged the gap between tomb cemetery and art, making a quantum leap from physical product to an emotional one. In addition, empowered by various technologies, including intelligent interactive screens, digitalized Nine Ceremonies and other intelligent tomb-sweeping services as well as the digital backup of online cemetery, “Huixin Valley” is preliminarily equipped to enter the “Metaverse”. Leveraging on the integration of contemporary landscape and the new concept of life services, and the industry-appropriate and contemporary innovation, “Huixin Valley” stands out from the rest of the world and has been awarded the IDA International Design Award 2022.

During the Year, Temshine, a wholly-owned subsidiary of the Group, gradually implemented the EPC model across the Group, which, through experimentation and analysis for a time, promoted our construction quality to a certain level. The implementation of EPC model fully demonstrates the advantages of Group’s internal resources integration, which significantly reduced the communication cost between design and construction, increased management efficiency of the whole process of the engineering program and minimized uncontrollable factors. Looking ahead, the refining EPC model can also provide services to projects outside of the Group, and gradually develop professional agent construction business for burial and funeral facilities. With the growing demand for constructing burial and funeral facilities in the PRC, the establishment and development of EPC model is a positive driving force of and serves strategic value for exploring new service contents of the Group in the future and driving increase in new values.

In relation to the funeral services business, we continued to focus on anti-corrosion cosmetics, body SPA, environmental-friendly paper coffins and ceremony services. We adhere to the service concept of “a new look for the remains”, and continued to promote services regarding the remains, innovative services and novel items as we enhance technological and cultural connotations to fulfill the differentiated and diversified service demands of clients and lead the development of the industry. At the same time, we further expanded and optimized the scope and process of centralized procurement, and actively promoted the strategy of cultural and creative products. Through cultural and brand empowering of traditional funeral equipment, we successfully pushed forward the transformation from “practical products” to “cultural and creative products”, thus improving customers’ consumption experience and satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

Against the backdrop of regular Pandemic prevention and control during the Year, we accelerated the R&D and market validation of our online products on the internet. Steered by our digitization strategy, firstly, the iterative computing of our Cloud Memorial online service platform opened up the SaaS backend platform, which satisfied the personalized management needs of each cemetery and enhanced the data usage. The number of visits to the service platform for the Year hit a record high of over 1.5 million; secondly, the digitalized funeral products have been enhanced to complete the standard burial rituals process and enrich the content use template and operation automation system, which can provide customers with a perceptible, empathetic and expressive online memorial platform for attending and mourning when their relatives are unable to arrive at the funeral for various reasons; thirdly, we continued to optimize and improve cloud memorial services by completing the transformation from online tomb-sweeping to online memorial, with the iterative computing of the service platform, integrating multiple sectors such as online tomb-sweeping, online photo album, online obituary, online livestreaming, online communal memorial and online blessing, etc., as well as adding and upgrading various functions such as generating life micro-films, restoring old photos, documenting life stories and digital memorial halls, to fulfill various memorial and worshipping needs of customers under the Pandemic. In addition, by combining traditional culture and modern ceremony empowered with technology, we effectively pushed forward the transition of funeral and mourning rituals from a traditional material level to a deeper spiritual level; fourthly, in response to the impact of the Pandemic, the update and iterative computing of Online Wake provided customers with an online wake solution, focusing on solving problems such as relatives not being able to get to the funeral and the scarcity of offline memorial resources. The combination of traditional and modern technology has effectively enhanced the engagement of relatives and the convenience of use. Furthermore, Shanghai Fushouyun Life Information Technology Co. Ltd.* (上海福壽雲生命信息科技有限公司), a wholly-owned subsidiary of the Group, was invited to join the Shanghai AI Industry Association as the first member of the association from the funeral industry in October 2022.

As an important strategic pivot of the Group, pre-need contract services help the Group to lock in customers earlier and bring a stable customer base to the funeral and cemetery segments. In the context of an aging society, pre-need contract services attract more customers wishing to make their after-death arrangements earlier, and have also gained the recognition, support and service orders from governments at all levels and elderly service institutions. Although the resurgence of the Pandemic during the Year has brought various challenges to the pre-need contract business, it still reached a new high with a total of 16,759 signed contracts in 2022, representing an increase of 21.8% over Last Year (2021: 13,764 contracts). At the same time, we have also seen the social restructuring and the changes in the public's logical thinking for making decisions brought by the Pandemic, as well as the profound impacts it brought on businesses and policies: firstly, people's understanding and acceptance of pre-need planning services have been further enhanced, which makes it easier for the multi-channel promotion of contract products. We also opened the first flagship store on JD online shopping mall; secondly, the expectation of business institutions and governmental organizations for a stable supply has further increased, and we have achieved business cooperation with elderly care institutions, communities, the Red Cross, the aid station and retirement council, etc. on a number of occasions; thirdly, the content of and demand for services have further expanded, as the public and social institutions have diversified demands for our professional services such as hospice care and mourning therapy, for which we are researching such products to satisfy the diversified and differentiated demands of customers. In addition, the pre-need contract service system could provide prompt and high quality services to our customers in all circumstances, which is highly regarded by our customers. The supply capacity of the entire service system has also been further validated and optimised. We will integrate more funeral service providers through the export of our business model to create a larger and denser service coverage network, so as to serve the public more quickly and extensively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's eco-friendly cremation machine business integrates R&D, design, in-house production, comprehensive support and after-sales service to manufacture smart and eco-friendly cremation equipment and exhaust gas purification treatment systems. During the Year, we focused on the innovation and environment protection of products. Through self-development and collaborated research with Shanghai Jiao Tong University and Tongji University respectively, which introduced big data artificial intelligence and fuzzy control technology, we continued to improve and enrich the product quality and functions of the "Jiesheng" smart and eco-friendly cremation equipment and exhaust gas purification treatment systems. We achieved key technological breakthroughs and obtained 16 utility model patents. On the other hand, as a part of our effort to expand the overseas market, we have further entered into sales cooperation agreements with distributors for cremators, exhaust system and certain ancillary equipment during the Year, and successfully delivered eight sets of eco-friendly cremators to overseas customers, which made "Jiesheng" go abroad to promote the products in the global market. The Group will continue to keep a close eye on the market, focusing on its target markets in line with growing demands, as the Group further invests in R&D through devoting more resources to the marketing and promotion of our eco-friendly cremators, in order to continue to improve production quality and service system construction, constantly optimize product costs and increase market share.

In relation to the expansion of our cemetery and funeral business, the Group continued to expand its presence into key regions and key cities, seeking replicable models for rapid development by means of mergers and acquisitions of high-quality development as well as innovative drivers of mixed reform projects and cooperative projects. During the Year, the Group has completed the acquisition of the remaining 10% equity interest in Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd.* (遼寧觀陵山藝術園林公墓有限公司), and the Group now has 100% equity interest in the project. As the project is an important strategic presence in the Northeast region of the PRC, the Group will continue to enhance its all-round support to promote the overall business quality and competitiveness of the project. The Group has also completed the second capital injection in the amount of RMB20 million in Zhuolu Yuanbaoshan, after which the Group's shareholding in this project has reached 51%. The project is located at the juncture of Beijing and Zhangjiakou in Hebei, with Zhangjiakou and Northern Beijing region as the target market. The acquisition represents the first strategic presence of the Group in Hebei and surrounding areas of Beijing, as well as an important step in advancing the Group's strategic plans in the Beijing-Tianjin-Hebei Region. In addition, we have entered into a strategic cooperation agreement with the Civil Affairs Bureau of Wenshan Zhuang and Miao Autonomous Prefecture in Yunnan. This cooperation provides the Group a strong position in terms of market services with extensive geographical advantage in Yunnan, allowing us to accelerate our plan to deepen our presence in major provinces in the southwest region. Furthermore, steady progress continues to be made on the Group's plan of expanding into other major provinces and blank areas across the country, and the Group will further enhance its cooperation with the government and governmental platforms, achieving the synergistic development of all areas with integrated resources of various business segments. As of now, our footprint covers over 40 cities in 19 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, Hubei and Hebei, including our cemeteries and facilities under operation in major cities across 16 provinces, municipalities and autonomous regions in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, we continued to strengthen team building, improve operational structure, advance the standardization of business processes and enhance systematic construction. We will continue to enhance our comprehensive budget management and internal control and promote the optimization of financial structure. Employees are our most valuable resource. Adhering to Fu Shou Yuan's business philosophy, our employees endeavor to enhance personal skills and develop international exposure, striving to provide the best quality products and services to our customers. Since 2021, the Group has introduced external professional consultancy forces to commence strategy and management reform, optimized the two-wheel drive organization construction with a customer and product orientation, established employee management and professional dual-channel ranking system, established the "Top-class Employee System", and enriched the award and incentive systems for employees. In addition, the Group introduced a scientific "Personal Performance Commitment Plan", which is a performance management system driven by value targets, customer targets, management targets, social targets and staff targets, promoting the team and the Group to develop a strategic vision with shared goals. During the Pandemic, both employees and the teams have remained stable, and the Group has continuously introduced high-level personnel with international visions and modern management philosophy to enlarge the fast-developing business footprints.

"Fu Shou Yuan Life Service Academy" acts as the Group's "industry culture leader, industry talent cultivator, industry exchange promoter, and industry culture innovator". Focusing on industry development hotspots and policy theory research, Fu Shou Yuan Life Service Academy proactively created a new teaching mode combining online and offline, building the "Business College", "Industry College" and "Social College" of Fu Shou Yuan Life Service Academy. At the "Business College" level, it focused on participant training and linear training in order to promote business empowerment and effect permeability. At the "Industry College" level, it joined the National Civil Affairs Vocational Education Teaching Steering Committee, the National Funeral Standardization Technical Committee, the Judging Committee and the Expert Committee, and participated in projects such as the preparation of industry teaching materials, project studies, case shortlisting and the establishment of training rooms in tertiary institutions. It also conducted the collaboration of co-organizing schools with China's industry schools, and the formulation of business standard and the organization of skills competition, etc. With the establishment of the Liji College of Further Education (禮濟進修學院), it will be able to nurture and incubate talents from within and outside the industry in the future by providing academic education. At the level of "Social College", it made in-depth research on the Life Caring Project and the research and development of the related curriculum to explore a new approach for the socialization and popularization of life education. In terms of "international exchange", Fu Shou Yuan Life Service Academy has established amicable relationships with numerous international funeral industry associations and institutions, such as International Funeral Association (FIAT-IFTA), International Cemetery, Cremation and Funeral Association (ICCFA), National Funeral Directors Association (NFDA), Australasian Cemeteries and Crematoria Association (ACCA), Australian Funeral Directors Association (AFDA), Latin American Association of Cemeteries and Funeral Services (ALPAR), Sindicato de Cemitérios e Crematórios Particulares do Brasil (SINCEP), Funeral Service Association of Canada (FSAC), Mongolian Funeral Association, Philippine Mortuary Association, Singapore Funeral Association, and Funeral Culture Study Society of Japan. It held various online international-themed networking sessions for regular exchange, where the associations discussed together the hot and difficult issues of the industry development covering various topics, such as posthumous care, consumer psychology in the post-epidemic era, service innovation, talent recruitment, cross-border marketing, internet memorial and socialization, sustainable development, digital estate processing and business model innovation of the funeral industry, to explore solutions to improve the quality of life service business in the post-epidemic era. In terms of international exchange and communication, we took the initiative to "go global" and organized to attend the International Convention & Expo for Funeral Industry (國際殯葬行業年會暨博覽會) in the US and Australia. By adhering to the strategic policy of "going global and bringing in", we spread the image of the Chinese industry in line with the strategic direction of internationalization while keeping up with international standards. In terms of "bringing in", we have reached a cooperation intention with a U.S. supplier for product introduction and anti-corruption training, as well as a number of international product and service providers for product innovation. In terms of international school collaboration, we together with Worsham College in the USA and National Funeral Directors Association University achieved the introduction and implementation of embalming courses, ceremony planner courses and other skill certificates as well as talent training partnership programmes in order to enhance the professional abilities and international visions of mortuary workers.

The Group continued to uphold our "people-oriented and culture-rooted" philosophy. Abiding by the development strategy of extending Fu Shou Yuan from the earthly realm to the spiritual realm, we promoted the transformation of life services from material level to spiritual level and provided services to promote Chinese family culture. During the Year, there were about approximately 47,000 media reports related to the Group and the daily average value of Baidu information index reached 13,000, representing a year-on-year increase of 90%. The public generally approved of the transformation of Fu Shou Yuan from a funeral service provider to an integrated life service operator, promoting innovative spiritual services such as "online tomb-sweeping" (雲祭掃), "online memorial" (雲紀念), digital cemetery, digital collection, etc. Humanistic memories were valued, and charitable actions, the dissemination of life education philosophy and the stories of funerary practitioners were liked by netizens. In January 2022, Fu Shou Yuan released the premiere limited editions of the "Wu Mengchao's Autograph English-Chinese Dictionary" (吳孟超親筆簽名英漢字典) as a digital collection and launched the "Fu Shou Yuan Qingming Festival Digital Cultural Collection" (福壽園清明節數字文化收藏品) with Shanghai Stamp, Coin and Card Exchange Corp. Ltd. during the Qingming festival, representing the devotion of Fu Shou Yuan to the development and research on cultural and creative products as well as digital assets, its efforts of endowing life with the meaning of breaking through time and space and the continuation of spirit. In May, the Humanities Memorial Park of Fu Shou Yuan was included in the Shanghai Red Resource Directory (First Batch). In June, the Humanities Memorial Museum of Shanghai Fu Shou Yuan co-organized the "Sages and Shanghai's Urban Memory" (先賢與上海城市記憶) forum, interpreting the connection between Shanghai and the great spirit of the founding of the Communist Party in various perspectives. In September, the Group held the first Fu Shou Yuan Public Welfare Festival with industry-specific features in conjunction with its ongoing public welfare projects. Fu Shou Yuan launched its first public welfare IP, "You Fu Xiang" (有福相), and initiated two public welfare projects, "Family Hospice Program" (家庭病末安寧計劃) and "$1,000 Posthumous Care" (千元身後事) in the festival. In addition, we formed public welfare partnerships with numerous institutions to unite a wider range of social organizations, families and individuals to build a warm public welfare ecosystem for the whole society. Fu Shou Yuan's performance in public welfare and active social responsibility have been widely recognized, including the "Top 10 Public Welfare Projects of the Year" from the Shanghai Public Welfare Selection, the "Poverty Alleviation Model of the Year Award" from the China Charity Festival and the "Top 10 Influential Public Welfare Projects of the Year" from the 5th Social Responsibility Conference.

In view of the above, although the Group was inevitably affected by the Pandemic and our performance was temporarily impacted during the Year, our business has shown a rapid recovery trend after the Pandemic and following the optimization of prevention and control policy, demonstrating innovation and development of various business segments continuously. During the Year, the total revenue of the Group recorded RMB2,171.6 million, representing a decrease of approximately 6.6% as compared to Last Year. Profit and comprehensive income attributable to the owners of the Company recorded RMB658.6 million, representing a decrease of approximately 8.5% as compared to Last Year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During most time of the Year, sporadic Pandemic outbreaks were seen in many cities in the PRC and a couple of our cemeteries and funeral facilitates were impacted to varying degrees, our revenue decreased by RMB154.2 million or 6.6% to RMB2,171.6 million from RMB2,325.8 million of Last Year. We derive our revenue primarily from three business segments: burial services, funeral services and other services. The following table sets forth our revenue by segment for the Year:

	2022		2021	
	Revenue (RMB'000)	**% of Total Revenue**	Revenue (RMB'000)	% of Total Revenue
Burial services	**1,748,898**	**80.5%**	1,907,676	82.0%
Funeral services	**359,427**	**16.6%**	331,970	14.3%
Other services	**87,629**	**4.0%**	104,669	4.5%
Inter-segment elimination	**(24,328)**	**(1.1%)**	(18,467)	(0.8%)
Total	**2,171,626**	**100.0%**	2,325,848	100.0%

BURIAL SERVICES

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

	2022		2021	
	No. of burial plots	**Revenue (RMB'000)**	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	**13,254**	**1,563,023**	15,129	1,676,145
Public welfare plots and tomb relocation	**8,868**	**25,480**	9,547	50,279
	22,122	**1,588,503**	24,676	1,726,424
Other burial services		**160,395**		181,252
Total revenue from burial services	**22,122**	**1,748,898**	24,676	1,907,676

During the Year, in order to cut off the transmission chain as early as possible, many places across the country pressed the slow-forward button and pause button in a "dynamic zero-COVID policy", the market demand for burial services were temporarily restrained due to the restricted social gathering policy. Revenue from sale of burial plots services for ordinary business purpose decreased by RMB113.1 million or 6.7% as compared to that of Last Year, and therein sales volume decreased by 1,875 or 12.4%, while ASP increased by 6.4%. During the Year, sale of public welfare plots and tomb relocation recorded RMB25.5 million, which related mainly to 1) the provision of tomb relocation and construction services to meet the market demand due to certain governments' plan to develop local area and infrastructure construction; and 2) public welfare plots services rendered to the designated people.

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 Year:

	2022		2021	
	No. of burial plots	**Revenue (RMB'000)**	No. of burial plots	Revenue (RMB'000)
Sale of burial plots services for ordinary business purpose, from:				
Comparable cemeteries*	**12,986**	**1,550,863**	15,053	1,673,111
Cemeteries related to acquisitions/ new construction	**268**	**12,160**	76	3,034
Total revenue from sale of burial plots services for ordinary business purpose	**13,254**	**1,563,023**	15,129	1,676,145

* Comparable cemeteries refer to those cemeteries owned by the Group for the entire period from January 1, 2021 to December 31, 2022.

During the Year, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries decreased by RMB122.2 million or 7.3% as compared to that of Last Year. Its sales volume decreased by 2,067 or 13.7% due to the resurgence of the Pandemic in mainland China. During the Year, especially during the Second Quarter and the Fourth quarter, many cemeteries' operation and business performance were impacted with the temporary reduction in sales volume due to different levels of enhanced pandemic prevention measures and policies. However, with the alleviation of the Pandemic and the gradual relaxation of the pandemic prevention policy, as well as the increased brand recognition and product differentiation the market demand has seen to rebound quickly. The ASP increased by 7.4%, due to the combined effect of products mix and contributions from various cemeteries. Revenue from sale of burial plots services for ordinary business purpose in newly acquired or newly developed cemeteries increased by RMB9.1 million, mainly due to the full year impact of Anhui Longmen acquired in August 2021. The ASP of burial plots sold for ordinary business purpose in newly acquired cemeteries was lower than that of comparable cemeteries, as the cemeteries are located at different regions and these new cemeteries need time to improve their landscape, enhance the services, strengthen their team and upgrade the operation gradually, in order to provide high quality services to their customers and to increase the economic return to the Group. We formulated a systematic operation improvement plan for these new projects to ensure the achievement of the above goals. Leveraging on our advanced philosophy, extensive management experience in death care business and a strong team of professionals, those new cemeteries are expected to achieve profitable growth in the future.

FUNERAL SERVICES

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

	2022		2021	
	No. of customers	Revenue (RMB'000)	No. of customers	Revenue (RMB'000)
Funeral services, from:				
Comparable facilities*	**65,393**	**338,917**	60,959	325,523
Facilities related to new acquisitions/new construction	**7,781**	**20,510**	3,323	6,447
Total revenue from funeral services	**73,174**	**359,427**	64,282	331,970

* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2021 to December 31, 2022.

During the Year, revenue from funeral services increased by RMB27.5 million or 8.3%. The volume of funeral services increased by 8,892 households or 13.8%, while ASP decreased by RMB252 or 4.9%, mainly because more basic funeral services were rendered with the establishment of the new facility and expansion of the new services of the comparable facilities during the Year and fewer high-priced value-added services were rendered due to strict funeral attendee limits from the local government authorities to curb the outbreak of the Pandemic.

Revenue from comparable funeral facilities and services increased by RMB13.4 million or 4.1%. In particular, its volume of services increased by 4,434 households or 7.3%, while ASP decreased by approximately 3.0% as compared to that of Last Year because some of funeral facilities expanded cooperation with local government thanks to the well-known high-quality services and started to deliver basic farewell ceremony services during the Year. Revenue from new funeral facilities was mainly contributed by Linquan Jiaheyuan Funeral Facility Co., Ltd.* (臨泉駕鶴園殯儀館有限公司) ("Linquan Funeral Facility") constructed and operated by the Group in the middle of 2021. ASP of new funeral facilities was lower than that of the comparable funeral facilities, mainly due to different funeral services mix i.e. Linquan Funeral Facility was primarily engaged in the provision of basic services which recorded a lower ASP compared to other value-added services. After the Pandemic was brought under control, with the resumption of provision of such value-added services, increased service items, improved service quality, and commencement of marketing activities, the Group's revenue from funeral services has much room to grow.

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 Year:

	2022		2021	
	Revenue (RMB'000)	**% of Total Revenue**	Revenue (RMB'000)	% of Total Revenue
Shanghai	**964,745**	**45.8%**	997,379	44.5%
Anhui	**193,146**	**9.2%**	213,450	9.5%
Liaoning	**152,228**	**7.2%**	191,793	8.5%
Shandong	**127,442**	**6.0%**	98,855	4.4%
Jiangsu	**101,940**	**4.8%**	111,443	5.0%
Jiangxi	**104,226**	**4.9%**	122,731	5.5%
Henan	**92,179**	**4.4%**	124,785	5.6%
Chongqing	**94,043**	**4.5%**	91,423	4.1%
Heilongjiang	**83,056**	**4.0%**	88,951	4.0%
Fujian	**53,302**	**2.5%**	48,821	2.2%
Guizhou	**53,041**	**2.5%**	52,387	2.3%
Zhejiang	**44,634**	**2.1%**	43,793	2.0%
Gansu	**13,447**	**0.6%**	16,224	0.7%
Inner Mongolia	**16,291**	**0.8%**	17,600	0.8%
Guangxi	**13,279**	**0.6%**	19,210	0.9%
Hubei	**1,326**	**0.1%**	801	0.0%
Total	**2,108,325**	**100.0%**	2,239,646	100.0%

Due to resurgence of Pandemic in the Year (mainly from mid-March to May and during the Fourth quarter), less gathering of crowds in accordance with relevant pandemic prevention and control policy, many cemeteries and funeral services' business were temporarily suspended and market demand reduced for the time being, resulting in a decrease in revenue. In particular, Shanghai, Liaoning province, Heilongjiang province and Heinan province where relatively large scale cemeteries are located were impacted during the Year. Following the alleviation of the Pandemic and the relaxation of pandemic prevention and control measures from December, the deferred consumer demands in the cemetery market has seen a rapid pick-up. Revenue and sales volume from one of our cemetery parks in Shandong province has grown up on the prior year mainly due to the combined effect of continued investment in the cemetery's environment, implantation of culture over the years and customers more receptive to our differentiated products and services.

OTHER SERVICES

Revenue from other services for the Year mainly represented the revenue of approximately RMB31.7 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation, the revenue of approximately RMB19.0 million from the EPC service, revenue from the sale of cremation machines and other related services of approximately RMB30.1 million, and the revenue of approximately RMB4.7 million generated from construction service of funeral parlours under the franchise agreements.

OPERATING EXPENDITURE

The Group's operating expenditure, which accounted for 52.6% of total revenue for the Year (Last Year：52.9%), decreased by RMB90.1 million or 7.3%. During most time of the Year, due to the Pandemic resurgence, the demand for cemeteries and funeral services in the market experienced temporary decrease. During the Year, the Group has commenced further structural adjustment on resources with an emphasis on the continuous optimization of cost structure and the effort in cost reduction and efficiency enhancement which resulted in a decrease in operating expenditure.

The Group's staff costs include staff salaries, bonuses and benefits. During the Year, the staff costs decreased by RMB6.0 million or 1.3%. Such decrease was mainly attributable to the combined effect of optimization of working structure and remuneration structure of staff during the Pandemic resurgence, partly offset by the increase of staff from full year operation of newly acquired or constructed companies, such as Anhui Longmen and Linquan Funeral Facility, and the increase in the social security insurance premium along with the adjustment of the contribution base.

The construction costs relate to the expenditure in building burial plot products (excluding stone materials) and the construction cost of funeral parlours under franchise agreements. During the Year, the construction costs decreased by RMB44.1 million or 26.3%, mainly due to the combined effects of (1) the construction cost of funeral parlours under franchise agreements decreased by RMB35.4 million due to fewer related services rendered, (2) the internal EPC services reduced the construction costs from outside companies, and (3) the Group continued to assess the Pandemic impact and adjust the construction plan during the Year, partly offset by (1) newly acquired or established companies' construction costs, and (2) the expenditure incurred on the existing projects inherited from prior years.

Consumed materials and goods relate to materials and goods consumed when we provide burial, funeral and other services. They also include the materials and goods consumed when we build burial plots. During the Year, the consumed materials and goods decreased by approximately RMB15.5 million or 8.7%, mainly due to the decrease in business activities as a result of the outbreak of the Pandemic.

Marketing and sales channel costs mainly include advertising costs, marketing expenses, and sales commission. During the Year, the marketing and sales channel costs decreased by RMB0.8 million or 1.9%. Such decrease was mainly attributable to the combined effect of reduced sales volume due to the Pandemic's impact and different sales mix compared to that of Last Year.

Depreciation and amortization increased by RMB9.2 million or 6.3%, 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 companies.

Other general operating expenditures decreased by RMB44.0 million or 22.3%, mainly in line with the reduction in sales volume and revenue as well as the in-depth cost control measures during the Pandemic.

OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Year decreased by RMB64.2 million or 5.9% compared to Last Year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Year:

	2022		2021	
	Operating Profit (RMB'000)	**Operating Profit Margin**	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	**986,017**	**56.4%**	1,058,903	55.5%
Funeral services	**48,357**	**13.5%**	49,596	14.9%
Other services	**93**	**0.1%**	(18,240)	(17.4%)
Inter-segment elimination	**(4,140)**	**17.0%**	4,219	(22.8%)
Total	**1,030,327**	**47.4%**	1,094,478	47.1%

During the Year, the operating profit margin of burial services increased to 56.4% from 55.5% of Last Year. The increase was mainly because cemeteries in Shanghai have seen a rapid pick up after the Pandemic and accounted for more contribution to burial services segment than the prior year.

During the Year, the operating profit margin of funeral services decreased to 13.5% from 14.9% of Last Year. The decrease was mainly because the funeral services were affected by the Pandemic resurgence and certain value-added services and products were unable to be provided in line with social restriction requirements, besides, some of funeral facilities expanded cooperation with local government thanks to the well-known high-quality services and started to deliver basic farewell ceremony services during the Year.

During the Year, other services segment recorded an operating profit of RMB0.1 million, mainly arising from the construction and design services, partly offset by the continued investments in the research and development of technology and products of cremation machines and Fu Shou Cloud, which are our strategic segments. We are optimistic about the future of the business on our environmental-friendly cremation machines under the back-drop of tightening of the rules and regulations on environmental protection by the government. Fu Shou Cloud focuses on the application of technology in combined death care and "Internet +" services, which is an important direction of the future development of the Group.

FINANCE COSTS

Finance costs for the Year consisted of interest expenses of RMB0 on bank loans (Last Year: RMB1.8 million), interest expenses of RMB1.1 million (Last Year: RMB1.5 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities and other long-term liabilities of RMB3.9 million (Last Year: RMB4.0 million).

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

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

OTHER INCOME, GAINS AND LOSSES

Other income, gains and losses for the Year mainly include interest income, government grants received, exchange gains and losses, income from management service and consulting service, donations and etc. Among which, interest income and gains from unlisted cash management products during the Year amounted to RMB44.3 million, representing an increase of RMB1.5 million or 3.4% as compared to Last Year. Government subsidies for the Year were approximately RMB26.6 million.

INCOME TAX EXPENSE

Under the EIT Law and its Implementation Regulations, our PRC subsidiaries are subject to the tax rate of 25% since January 1, 2008. Our effective corporate income tax rate for the Year was 25.8% (Last Year: 24.6%). The effective corporate income tax rate approximates the standard tax rate of 25%.

During the Year, income tax expenses recorded RMB281.5 million, representing a decrease of RMB8.1 million or 2.8% as compared to that of Last Year, which is mainly attributable to the decrease in taxable income.

PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

As mentioned above, our profit and total comprehensive income attributable to owners of the Company for the Year amounted to RMB658.6 million, representing a decrease of RMB61.4 million or 8.5% as compared to Last Year.

CASH FLOW

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

	2022 (RMB'000)	2021 (RMB'000)
Net cash generated from (used in)		
— operating activities	**868,255***	1,034,115*
— investing activities	**397,913***	(690,046)*
— financing activities	**(399,541)**	(502,485)
Total	**866,627**	(158,416)

* A classification made by management does not comply with International Financial Reporting Standards, however, management considers this classification can better reflect the nature of the Group's business and can make the information disclosed more comparable. The net cash generated from operating activities disclosed in the audited financial statements amounted to RMB852.9 million (Last Year: RMB992.4 million) and the net cash received from investing activities as disclosed in the audited financial statements amounted to RMB413.2 million (Last Year: net cash used of RMB648.3 million). During the Year, an amount of RMB15.3 million (Last Year: RMB41.7 million) relating to the payment for cemetery land acquisition was here classified under the cash used in investing activities, instead of cash generated from operating activities.

We generated our cash from operating activities primarily from proceeds of our death care service businesses. Our cash used in operating activities is primarily for the development and construction of burial plots, and other operating expenditures. Our net cash generated from operating activities amounted to RMB868.3 million for the Year, representing a decrease of RMB165.9 million or 16.0% as compared to that of Last Year, which was primarily due to the decrease in revenue during the Year, and more corporate income tax payment paid during the Year in relation to the profit earned in the second half of prior year in accordance with tax payment mechanism.

Our net cash received from investing activities amounted to RMB397.9 million during the Year. It was primarily due to: (i) net amount of withdrawal of time deposits, entrusted loans and other financial assets of RMB539.5 million; (ii) withdrawal of investment in a joint venture totalling RMB49.9 million; (iii) the interests and gains from unlisted cash management products received of RMB45.3 million, which were partially offset by: (iv) payment of RMB95.7 million for building new burial and funeral facilities and capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities; (v) payment of RMB82.1 million for the acquisition of operating rights of subsidiaries, cemeteries and funeral parlors as well as other investments and (vi) loan to a third party in connection with the acquisition of land of a cemetery project totaling RMB58.0 million.

Our net cash used in financing activities amounted to RMB399.5 million during the Year. It was primarily due to: (i) final dividends for 2021 and interim dividends for 2022 paid to shareholders of the Company of RMB230.2 million; (ii) dividends paid by subsidiaries to their non-controlling shareholders of RMB100.6 million; (iii) payment to purchase non-controlling interests of subsidiaries of RMB40.1 million; (iv) repayment of lease payment and other long-term liabilities of RMB26.1 million; and (v) repayment of loans to non-controlling shareholders of RMB4.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2022, we had bank balances and cash of RMB1,942.2 million (December 31, 2021: RMB1,075.6 million), time deposits of RMB33.5 million (December 31, 2021: RMB285.7 million) and unlisted cash management products of RMB487.9 million (December 31, 2021: RMB666.0 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 withdrawal 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 1.69% to 3.20%. To support our expansion strategy, we hold a relatively high level of cash. In order to moderately increase capital returns, under the premise of ensuring safety and liquidity, we have allocated a part of treasury fund to short-term cash management products. Such products are issued and managed by state-owned banks and have clearly-specified expected return rates, maturity dates or are immediately redeemable. Even though the principals and return rates of such products are in theory and as stipulated, determined by reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, and not guaranteed by the issuing banks, they are secured in substance considering the features and historical performance of such products and present situation of bank system in the PRC. We internally regard our treasury fund put in such cash management products as part of our cash balance, however, from the accounting point of view, they are classified as the financial assets at fair value through profit or loss. In the foreseeable future, we expect to fund our capital expenditure, working capital and other capital requirements from the cash generated from our operations, bank borrowings, and other financing channels. The Board confirmed that the transactions in financial assets for the Year, whether on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at December 31, 2022, we did not have any outstanding bank borrowings.

In addition, we had RMB15.5 billion of comprehensive bank credit line as at December 31, 2022.

GEARING RATIO

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as at December 31, 2022 was 0.5% (December 31, 2021: 0.5%). Our operation has been lightly leveraged because of our good cash generating capability from our operating activities. Although we expect that our capital expenditure in the following years will maintain at a relatively high level, we do not anticipate our gearing ratio will substantially increase considering the balance of bank and cash on hand. Therefore, we are exposed to limited interest rate risk.

CURRENCY RISK

The Group conducts its businesses in the PRC and its functional currency is RMB. However, certain bank balances are denominated in foreign currencies, which exposed the Group to foreign currency risk. As at December 31, 2022, the amount denominated in RMB, HK$ and US$ under the financial assets, time deposits, bank balances and cash accounted for 97.7%, 0.9% and 1.4%, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In October 2021, the Group entered into an agreement to acquire equity interest in Zhuolu Yuanbaoshan. According to the agreement, we shall make four separate capital injections of RMB5 million, 20 million, 8 million and 30 million in sequence based on the business development and related conditions. In November 2021, we made the first capital injection and in June 2022 we completed the second phase of capital injection. As at December 31, 2022, we had 51% equity interest in Zhuolu Yuanbaoshan.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries and affiliated companies of the Group during the Year.

SIGNIFICANT INVESTMENTS

As at December 31, 2022, the Group did not hold any significant investments (December 31, 2021: Nil).

CHARGES ON ASSETS

As at December 31, 2022, the Group did not have any charges over assets (December 31, 2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EMPLOYEE AND REMUNERATION POLICY

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As of December 31, 2022, the trustee of the Restricted Share Incentive Scheme held 48,800,000 Shares purchased from the secondary market and the above restricted shares have not been granted to eligible participants.

As at 2022, we had 2,401 full-time employees (December 31, 2021: 2,464 full-time employees). We offer competitive packages and benefits to our staff. We also make contributions to social security insurance funds in accordance with applicable laws and regulations. Furthermore, we provide staff training and development programs and performance-based bonus to ensure that our employees are equipped with necessary skills and are remunerated according to their performance.

CAPITAL COMMITMENT

We contracted, but not provided in the financial statements, for capital expenditure in respect of acquisition of subsidiaries, land use rights, other investments, cemetery assets and property and equipment in a total amount of approximately RMB25.4 million as at December 31, 2022.

CEMETERY LANDS AVAILABLE

The saleable area for burial plots was approximately 2.62 million sq.m. as at December 31, 2022 (December 31, 2021: approximately 2.54 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at December 31, 2022, we had no contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

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

PROSPECTS

With the optimization of pandemic prevention and control policies, the orderly recovery of consumption scene, and the continuous improvement of people's awareness of life culture, we are full of confidence in the future growth prospects of the industry. Looking ahead, we will strive to explore a new development model of the industry, reach the goal to carrying memory and emotion by the Internet technology and building the wisdom, efficient, environmental protection, warm service system, inject new connotation into the industry, continue to lead the industry reform and improve the service level. We will adhere to our strategy of expansion, look for suitable growth opportunities, strive for external development and business chain perfecting, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share to cater for more people's need for high quality death care services. We will push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business, we will consolidate newly acquired businesses and raise their standards on a par with ours.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Bai Xiaojiang (白曉江), aged 65, is the chairman, executive Director and chairman of the Nomination Committee. Mr. Bai is responsible for the overall strategic planning and business development of the Group. Mr. Bai has been the chairman of Shanghai Fu Shou Yuan since 1996. He has also been the president and chairman of Zhongfu since 1996. Mr. Bai is the director of each of Zhongfu and Shanghai Zhongfu. Mr. Bai has been a director of Perfect Score since November 2015. He is also the chairman of Chongqing FSY Group. He acted as one of the promoters of each of NGO 1 and NGO 2. Mr. Bai has more than 25 years of experience in the death care services industry in the PRC and has served the Group for 25 years. Mr. Bai had recognized accomplishments through his holding of senior engineering and business positions in the PRC, such as his senior role in the construction of the Lupu bridge in Shanghai. Mr. Bai is also a member of the 6th, 7th and 8th central committee of the China Democratic National Construction Association (中國民主建國會) and a member of the 8th, 9th, 10th and the 12th Chinese People's Political Consultative Conference, Shanghai. Currently, Mr. Bai is the thirteenth vice president of the Shanghai General Chamber of Commerce, the vice president of the Hong Kong China Chamber of Commerce, the executive chairman of the Hong Kong-Mainland International Investment Society, an executive council member of China Charity Federation and an executive council member of China Society for Promotion of the Guangcai Program.

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

Mr. Tan Leon Li-an (談理安), aged 58, is the vice-chairman and executive Director. Mr. Tan is responsible for the overall strategic planning and business development of the Group. Mr. Tan was a director of Shanghai Fu Shou Yuan from December 2006 to December 2017, a director of Hefei Dashushan Co. from December 2006 to February 2014 and the vice chairman of Chongqing FSY Group from May 2011 to September 2014. Mr. Tan was a director of FSG Holding from December 2011 to August 2014.

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Jisheng (王計生), aged 70, is the executive Director and chief executive of our Group. He is also the chairman of the Strategy and Investment Development Committee of our Group. Mr. Wang is responsible for the overall management and business operation and strategic planning and business development of the Group. Mr. Wang was the managing director of Shanghai Fu Shou Yuan between 1996 and 2019. He is also the president of Shanghai FSY Corporate Management Consultancy. He acted as one of the promoters of NGO 2. Mr. Wang has more than 29 years of experience in the death care services industry in the PRC and has served the Group for more than 29 years.

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

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

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

NON-EXECUTIVE DIRECTORS

Mr. Lu Hesheng (陸鶴生), aged 73, is the non-executive Director. Mr. Lu is a senior engineer. He has more than 27 years of experience in the death care services industry in the PRC.

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

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

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang James Chih-Cheng, aged 64, is the non-executive Director. Mr. Huang has been a general manager of Chongqing Stone Tan Financial Leasing Co., Ltd. since April 2015 and had been the chief financial officer of Big Earth Publishing, Boulder, Colorado, since 2011 up to October 31, 2014. Prior to those, Mr. Huang served in various senior management positions within Pacific Millennium Holding Corporation. Prior to joining Pacific Millennium Holding Corporation, Mr. Huang served as corporate accounting manager at Electronic Data Systems in Dallas, Texas, from 1984 to 1987. He had also served as president of Energy System International, Beijing from 2003 to 2006; member of the board between 1994 and 2000 and subsequently elected as chairman of the board between 1999 and 2000 for Millennium Bank, San Francisco, California.

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

Ms. Zhou Lijie (周立杰), aged 48, is the non-executive Directors. Ms. Zhou has over 22 years of work experience in the investment industry. Ms. Zhou is currently the investment director of Sunshine Asset Management Co., Ltd.* (陽光資產管理股份有限公司) . From 2001 to 2009, Ms. Zhou served as research supervisor of Beijing HaiWen Consultants Co., Ltd.* (北京海問諮詢有限公司) . From 2009 to 2020, Ms. Zhou successively served as deputy director of the Asset Management Center of Sunshine Insurance Group Co., Ltd.* (陽光保險集團股份有限公司), and senior research manager, assistant to general manager, deputy general manager and general manager of the research department of Sunshine Asset Management Co., Ltd.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luo Zhuping (羅祝平), aged 71, is the independent non-executive Director and chairman of the Remuneration Committee. Mr. Luo has held various positions in China Eastern Airlines (中國東方航空公司) since 1988. He served as the deputy chief and then chief of the enterprise management department of China Eastern Airlines from 1992 to 1997 and the deputy head of the share system office from 1993 to 1996. Mr. Luo served as the board secretary of China Eastern Airlines Corporation Limited (SEHK stock code: 670) for 15 years from December 1996 to April 2012. He became a director of the China Eastern Airlines Corporation Limited from June 2004 to June 2013.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Man (何敏), aged 53, is the independent non-executive Director and chairman of the Audit Committee. Mr. Ho has over 24 years of working experience in private equity investment and finance and is currently the managing director of an investment holding company. Prior to that, Mr. Ho served as an executive partner representative of a Chengdu一 based private equity investment fund from December 2011 to May 2014. Mr. Ho worked for a Hong Kong-based private fund management company during January 2010 to December 2013 and was the managing director and head of China growth and expansion capital of CLSA Capital Partners from August 1997 to October 2009.

Mr. Ho served as an independent non-executive director of Fantasia Holdings Group Co., Limited (SEHK stock code: 1777) from October 2009 to October 2021; an independent non-executive director of Magnus Concordia Group Limited (SEHK stock code: 1172) from January 2018 to August 2022; and an independent non-executive director of Wanjia Group Holdings Limited (SEHK stock code: 401) since February 2018. He served as an independent non-executive director of Grand Ocean Advanced Resources Company Limited (SEHK stock code: 65) since January 2020. All of the companies mentioned above are listed on the Main Board of the Stock Exchange.

Mr. Ho was awarded an Executive Master of Business Administration degree from Tsinghua University and a master's degree in finance from the London Business School. He is also a Chartered Financial Analyst. Mr. Ho is the author of books such as "Superstar Economics" and "Who Stole the Red Devils?"

Ms. Liang Yanjun (梁艷君), aged 39, is the independent non-executive Director and chairman of the Compliance Committee. Ms. Liang has over 16 years of experience in legal service and many years of relevant experience in securities and capital markets. Prior to joining the Group, Ms. Liang worked as legal assistant in Beijing Zhongke Fuqiao Technology Co., Ltd.* (北京中科富橋科技有限公司) from August 2006 to November 2007, CEO assistant in Global Energy Investment Co., Ltd.* (環球能源投資有限公司) from December 2007 to February 2009, assistant of the minister in exchange department of China Center for International Economic Exchanges* (中國國際經濟交流中心) from March 2009 to February 2010, a lawyer in Beijing Jingtian & Gongcheng* (北京市競天公誠律師事務所) from December 2010 to May 2016, lawyer and kernel group member in Beijing Maode Attorneys At Law* (北京懋德律師事務所) from 2016 to March 2019, an independent non-executive director in Shanghai Dongzheng Automotive Finance Co., Ltd.* (上海東正汽車金融股份有限公司) (SEHK stock code: 2718) from August 2018 to present, a partner-level lawyer in B&D Law Firm* (北斗鼎銘律師事務所) from April 2019 to August 2019 and a partner-level lawyer in Javy Tayn Lawyers* (北京嘉維泰銀律師事務所) from September 2019 to present.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Xin (陳欣), aged 47, is the independent non-executive Director. Mr. Chen has over 22 years of experience in finance and investment industries. From 1997 to 2000, Mr. Chen successively served as assistant trade service manager, assistant banking services manager and project finance executive in The Hongkong and Shanghai Banking Corporation Limited. From 2002 to 2011, Mr. Chen successively served as associate and vice president of the corporate finance group of the investment banking division and executive director of the Asian Special Situations Group (ASSG) in Goldman Sachs (Asia) L.L.C. Mr. Chen served as head of China in Permira Advisors (Asia) Limited from 2011 to 2014, served as founding partner of Fides Capital Investors I, L.P. from 2014 to 2017, served as head of direct investment in CMBC Capital Holdings Limited from 2017 to 2018, served as a partner, managing director and head of private equity investment in Ally Bridge Group from 2018 to February 2020, served as the president of Fosun Capital Flagship Fund and head of investment in Guangdong-Hong Kong-Macao Greater Bay Are from February 2020 to present.

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

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

SENIOR MANAGEMENT

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

Mr. Ma Jianting, Sam (馬劍亭), aged 42, is our chief financial officer. He has over 19 years of work experience in finance and auditing, and has extensive experience in financial management, internal control and auditing and merger and acquisition. Prior to joining the Group, Mr. Ma had served in various positions in China Minsheng Investment Group Corp., Ltd. ("**China Minsheng Investment Group**") and its subsidiaries or the companies it has invested in, including acting as a non-executive director and member of the audit committee, investment committee and remuneration committee of China Medical & HealthCare Group Limited (SEHK stock code: 383) from August 2019 to June 11, 2020; the head of finance team of China Minsheng Investment Group from October 2019 to May 2020; the chief financial officer of CMIG Asia Asset Management Co., Ltd. from July 2017 to May 2020; a non-executive director of China Minsheng Financial Holding Corporation Limited (now known as China Vered Financial Holding Corporation Limited) (SEHK stock code: 245) from November 2017 to February 2019; and a senior manager of the finance and accounting department of China Minsheng Investment Group from June 2017 to July 2017. From September 2003 to May 2017, he worked in the audit department in Shanghai office of Ernst & Young Hua Ming LLP and his last position was an audit senior manager, during which from September 2008 to March 2010, he was assigned to Manchester office of Ernst & Young (United Kingdom) as an audit executive.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Hu Yi (胡軼), aged 38, is our company secretary. Ms. Hu has joined the Company since 2014 as the representative of Hong Kong office and manager of board secretary office. Ms. Hu is responsible for investor relations, corporate finance and corporate governance of the Group. Prior to joining the Company, Ms. Hu worked in BlackBerry Hong Kong Ltd. as Project Manager from 2010 to 2013. Ms. Hu graduated from Shanghai Jiao Tong University with a bachelor degree in English (Specialized in Finance and Business) in 2008. Ms. Hu obtained a master degree in China Studies from The Chinese University of Hong Kong in 2010 and a master degree in Corporate Governance from The Open University of Hong Kong (now known as Hong Kong Metropolitan University) in 2017. Ms. Hu is a fellow member of The Hong Kong Chartered Governance Institute, one of the drafters of "Effectiveness evaluation of compliance management system for small and medium-sized enterprises" in China and one of the authors of "The Guidance of Effectiveness Evaluation of Compliance Management System for Small and Medium-sized Enterprises".

DIRECTORS' REPORT

The Board presents the directors' report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are mainly engaged in the provision of burial services and funeral services. The Group's subsidiaries also carry on provision of designing services for cemeteries and funeral parlours, manufacturing of cremation devices and sales and after-sales service of cremation devices. Details of the subsidiaries of the Company are set out in Note 41 to the financial statements.

RESULTS OF OPERATIONS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65 of this Annual Report.

FINANCIAL SUMMARY

The financial summary of the Group between 2018 and 2022 is set out on page 183 in the section "Financial Summary" of this Annual Report.

BUSINESS REVIEW

During the year ended December 31, 2022, the Group realized the sale of 22,122 tombs and provided funeral services to 73,174 customers and recorded total revenue of RMB2,171.6 million, made a net profit totalling RMB810.7 million, and net profit attributable to our shareholders of RMB658.6 million.

As at December 31, 2022, we operated 33 cemeteries, and 30 funeral facilities throughout the PRC. Our business coverage has expanded to over 40 cities across 19 provinces, autonomous regions or municipalities in China. The expanding business footprints lay a good foundation for our future development.

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

Principal risks and uncertainties

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

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

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

DIRECTORS' REPORT

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

For more details of other risks and uncertainties faced by the Group, please refer to the Prospectus.

Events occurred since the end of the financial year

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

Future development

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

Looking ahead, we will strive to explore a new development model of the industry, reach the goal to carrying memory and emotion by the Internet technology and building the wisdom, efficient, environmental protection, warm service system, inject new connotation into the industry, continue to lead the industry reform and improve the service level. We will adhere to our strategy of expansion, look for suitable growth opportunities, strive for external development and business chain perfecting, consolidate the highly disintegrated resources of the PRC's death care industry, and boost our market share to cater for more people's need for high quality death care services. We will push for the implementation of all the signed projects. Leveraging our advanced philosophy and expertise in death care business, we will consolidate newly acquired businesses and raise their standards on a par with ours. 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 promote growth in various business segments, we will strive for a balance between short-term interest and long-term value, expand our business at a more steady and sustainable pace, and stay focused on managing Fu Shou Yuan, a living entity that carries memories and emotions, with a view to consistently rewarding our investors with the best returns.

Environmental policies and performance

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

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

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

By embedding green philosophy into our products and services, Fu Shou Yuan forged ecological industrial circle and finished the innovation of the industry with unique design, adding novel and environmental concept into each link and push the life service business toward cross space and affordability. To achieve the goal of green-oriented transition, Fu Shou Yuan reduces daily energy consumption in working place and strengthens emission control of industrial chain in 2022 to achieve "carbon neutrality".

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

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 believes 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.

Please refer to the 2022 Sustainability Report of the Group to be published in due course for more details of the Group's sustainability policy and performance.

DIRECTORS' REPORT

Compliance with the relevant laws and regulations

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

Relationships with stakeholders

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

Employees

Our success depends on our qualified and skilled employees and we believe employees are the most valuable resource and wealth of the Group. Our Group adheres to the value of people orientation and our goal is to constantly maximize our employee value and enterprise value. Therefore, we developed a set of internal training programs and provide a wide range of education and development opportunities for our employees. The Group also provides competitive remuneration package to attract and motivate the employees. Performance appraisal and interview is held for review the remuneration package of employees and makes necessary adjustments to conform to the market standard. We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As at December 31, 2022, we had 2,401 full-time employees (December 31, 2021: 2,464).

Customers

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

Suppliers

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

Regulators

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

Shareholders

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

For more details of the relationship with stakeholders of the Group, please refer to the 2022 sustainability report of the Company to be published in due course.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK7.58 cents per Share for the year ended December 31, 2022 (2021: HK5.64 cents per Share). The final dividend will be payable on June 30, 2023 subject to the approval of the Shareholders at the AGM. The final dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on June 21, 2023. Subject to the Companies Act, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve of our Company lawfully available for distribution including share premium.

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

CLOSURES OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Monday, May 22, 2023 to Thursday, May 25, 2023, both days inclusive. During the above period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, May 19, 2023.

For determining the entitlement to the proposed final dividend, the transfer books and register of members of the Company will be closed from Monday, June 19, 2023 to Wednesday, June 21, 2023, both days inclusive. During the above period, no transfer of Shares will be registered. In order to qualify for the entitlement to the proposed final dividend, subject to the approval of the Shareholders at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, June 16, 2023.

DIRECTORS' REPORT

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 41 to the audited consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2022, purchases from the Group's five largest suppliers accounted for 28.3% (2021: 28.9%) of the Group's total purchases and purchases from our single largest supplier accounted for 10.9% (2021: 9.1%) of the Group's total purchases.

During the year ended December 31, 2022, the combined revenue from the five largest customers did not exceed 30% of the total revenue of the Group.

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

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2022 are set out in Note 13 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended December 31, 2022 are set out in Note 31 to the audited consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year ended December 31, 2022 are set out in the consolidated statement of changes in equity on page 68 of this Annual Report and Notes 32 and 43 to the audited consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Details of the Company's reserves available for distribution to the Shareholders, calculated in accordance with the provisions of the Companies Act, as at December 31, 2022, are set out in Note 43 to the audited consolidated financial statements.

BORROWINGS

For the year ended December 31, 2022, the Group did not have any bank borrowings (December 31, 2021: Nil).

TAXATION

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

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

During the Year, the Company repurchased 503,000 Shares through the Stock Exchange. Details of the repurchases are as follows:

Month of repurchase	Number of Shares repurchased	Repurchasing price for each Share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$
September 2022	263,000	4.51	4.31	1,163,190
October 2022	240,000	4.29	3.98	981,300
Total	503,000			2,144,490

All the repurchased shares above were cancelled on December 16, 2022 and the issued share capital of the Company was reduced by the nominal value thereof. The purchases were made for the benefit of the Shareholders with an enhancement of the net asset value per Share and/or its earnings per Share.

Save for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During the year ended December 31, 2022, the Group made approximately RMB0.9 million charitable and other donations.

DIRECTORS

The Directors during the year ended December 31, 2022 and up to the date of this Annual Report are:

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

Non-executive Directors
Mr. Lu Hesheng
Mr. Huang James Chih-Cheng
Ms. Zhou Lijie

Independent Non-executive Directors
Mr. Chen Qunlin [1]
(resigned on December 9, 2022)
Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun
Mr. Chen Xin

Notes:

1 Mr. Chen Qunlin resigned as independent non-executive Director with effect from December 9, 2022 due to his age.

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

In accordance with Article 108 of the Articles of Association, Mr. Wang Jisheng, Mr. Lu Hesheng, Mr. Ho Man and Mr. Chen Xin shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save for as disclosed under the section headed "Permitted Indemnity Provision" in this Annual Report, no transaction, arrangement and contract of significance to which the Company, or any of its holding companies or subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended December 31, 2022 or at any time during the year ended December 31, 2022. In addition, no contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries was made.

DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2022, none of the Directors nor their respective associates (as defined in the Listing Rules) had interests in businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

TAX RELIEF

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2022.

REMUNERATION OF DIRECTORS

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

Details of the remuneration of the Directors and the five highest paid individuals during the year ended December 31, 2022 are set out in Note 9 to the audited consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme and Restricted Share Incentive Scheme of the Company as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

SHARE OPTION SCHEME AND RESTRICTED SHARE INCENTIVE SCHEME

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

The Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. The maximum number of Shares available for issue under options which may be granted under the Share Option Scheme or other share option scheme adopted by the Company must not in aggregate exceed 10% of the Shares in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option (as defined in the Prospectus)), being 200,000,000 Shares, representing 8.62% of the issued shares as at the date of this Annual Report. The total number of Shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to an Eligible Participant in any 12-month period shall not exceed 1% of the number of Shares in issue as at the date of grant unless approved by the Shareholders in general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board provided that it shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

At the annual general meeting of the Company held on May 15, 2017, an ordinary resolution was passed, pursuant to which the scheme mandate limit under the Share Option Scheme approved on December 9, 2013 has been refreshed, allowing the Company to grant share options entitling holders thereof to subscribe for up to 210,000,000 Shares, representing approximately but not exceeding 10% of the issued share capital of the Company as at the date of passing the above resolution. As at each of January 1, 2022 and December 31, 2022, the number of options available for grant under the Share Option Scheme is 210,000,000, representing approximately 9.1% of the total issued shares of the Company. The total number of Shares available for issue under the Share Option Scheme is 210,000,000 Shares, representing approximately 9.1% of the issued shares as at the date of this report.

During the year ended December 31, 2022, no outstanding options were available under the Share Option Scheme.

No options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended December 31, 2022.

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As at each of January 1, 2022 and December 31, 2022, the trustee of the Restricted Shares Incentive Scheme held 48,800,000 shares while no Restricted Shares were granted under the Restricted Share Incentive Scheme. As at each of January 1, 2022 and December 31, 2022, the number of Shares (the "**Restricted Shares**") available for grant under the Restricted Share Incentive Scheme is 67,444,812 Shares, representing approximately 2.9% of the total issued shares of the Company. The total number of shares available for issue under the Restricted Share Incentive Scheme, representing 0.8% of the issued shares as at the date of this report.

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

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

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

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

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

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

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at December 31, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in the Shares

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

Notes:

1. 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.

2. 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.

3. 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

As at year ended December 31, 2022, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2022, so far as the Directors were aware, the Substantial Shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company
FSG Holding	Beneficial owner	Long position	320,360,000	13.81%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")	Founder of a discretionary trust (Note 1)	Long position	320,360,000	13.81%
Perfect Score	Beneficial owner	Long position	483,000,000	20.82%
Alliance Rise	Interest in a controlled corporation (Note 2)	Long Position	483,000,000	20.82%
Zhongfu	Interest in a controlled corporation (Note 3)	Long position	483,000,000	20.82%
Hongfu	Interest in a controlled corporation (Note 4)	Long position	483,000,000	20.82%
NGO 1	Interest in a controlled corporation (Note 5)	Long position	483,000,000	20.82%
NGO 2	Interest in a controlled corporation (Note 6)	Long position	483,000,000	20.82%
UBS Trustees (BVI) Limited	Trustee (Note 7)	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 8)	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 8)	Long position	151,482,000	6.53%

* The English translation is for identification purpose only

Notes:

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

2. Perfect Score is a direct wholly-owned subsidiary of Alliance Rise and Alliance Rise is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.

3. Alliance Rise is a direct wholly-owned subsidiary of Zhongfu and Zhongfu is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.

4. Zhongfu is a direct wholly-owned subsidiary of Hongfu and Hongfu is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.

5. Hongfu is owned by NGO 1 as to 50% and NGO 1 is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.

6. Hongfu is owned by NGO 2 as to 50% and NGO 2 is deemed or taken to be interested in approximately 20.82% of the issued share capital of the Company in which Perfect Score is interested in.

7. According to the disclosure of interests notice filed on January 12, 2023 by the relevant substantial shareholder, the 96,600,000 Shares indirectly held under a trust with UBS Trustees (BVI) Limited as the trustee have been transferred to another trust with a new trustee.

8. Sunshine Insurance Group Co., Ltd. is interested in approximately 99.99% of the issued share capital of Sunshine Life Insurance Co., Ltd. and therefore Sunshine Insurance Group Co., Ltd. is deemed or taken to be interested in approximately 6.53% of the issued share capital of the Company in which Sunshine Life Insurance Co., Ltd. is interested in.

Save as disclosed above, as at December 31, 2022, so far was known to the Directors, no other persons (other than the Directors or chief executives) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2022 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 38 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules during the year ended December 31, 2022.

CONNECTED TRANSACTION

(1) Chongqing Guolong Agricultural Science and Technology Development Co. Ltd. (重慶國隆農業科技發展有限公司) ("**Chongqing Guolong**") and Xiyuan Fu Shou Yuan entered into a loan agreement on November 28, 2017, pursuant to which Chongqing Guolong provided a shareholder loan to Xiyuan Fu Shou Yuan. The loan were extended in 2022 and they are due within one year from the extension date. As at December 31, 2022, the loan remaining outstanding amounted to approximately RMB23.0 million. The interest rate is approximately 4.35% per annum.

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

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

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

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2022.

AUDITOR

The financial statements of the Group for the year ended December 31, 2022 have been audited by Deloitte Touche Tohmatsu, auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor at the AGM. There has been no change of the auditor of the Company in the past three years.

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

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

Hong Kong, March 17, 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the CG Code is referred to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

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

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

The Board is of opinion that the Company has complied with the code provisions as set out in the CG Code throughout the year ended December 31, 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' dealings in securities of the Company. The Company has made specific enquiry to all the Directors, each of them confirmed that they have complied with the required standards of dealing as set out in the Model Code throughout the year ended December 31, 2022.

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

No incident of non-compliance with the Model Code by the Directors and the relevant employees of the Company were noted by the Company throughout the year ended December 31, 2022.

THE BOARD OF DIRECTORS

Board composition

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

Executive Directors

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

Non-executive Directors

Mr. Lu Hesheng
Mr. Huang James Chih-Cheng
Ms. Zhou Lijie

Independent Non-executive Directors

Mr. Chen Qunlin
(resigned on December 9, 2022)
Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun
Mr. Chen Xin

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

Throughout the year ended December 31, 2022, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the board of the directors.

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

Board Meetings, Board Committees Meetings and General Meetings

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

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

During the year ended December 31, 2022, the Board has held 5 meetings in total.

The attendance records of the individual Directors at the meetings of the Board, Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee and the general meeting for the year ended December 31, 2022 are set out as follows:

	No. of Meetings Attended/Held					
Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Compliance Committee Meetings	Annual General Meeting
Executive Directors						
Mr. Bai Xiaojiang	5/5	–	2/2	–	–	1/1
Mr. Tan Leon Li-an	5/5	–	–	1/1	–	1/1
Mr. Wang Jisheng	5/5	–	2/2	–	–	1/1
Non-executive Directors						
Mr. Lu Hesheng	4/5	–	–	–	–	1/1
Mr. Huang James Chih-Cheng	5/5	2/2	–	–	–	1/1
Ms. Zhou Lijie	5/5	–	–	–	–	1/1
Independent non-executive Directors						
Mr. Chen Qunlin (resigned on December 9, 2022)	4/5	–	2/2	1/1	2/2	1/1
Mr. Luo Zhuping	5/5	2/2	2/2	1/1	2/2	1/1
Mr. Ho Man	5/5	2/2	2/2	–	2/2	1/1
Ms. Liang Yanjun (appointed as member of the Remuneration Committee and Nomination Committee with effect from December 9, 2022)	5/5	–	–	–	2/2	1/1
Mr. Chen Xin	5/5	2/2	–	–	–	1/1

Except for the annual general meeting, the Company did not hold any other general meeting during the year ended December 31, 2022.

Appointment, Re-election and Removal of Directors

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

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

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

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

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

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

Directors' Responsibilities for Financial Statements

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

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

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

Responsibilities of and Delegation by the Board

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

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

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

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

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

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

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

Independent Non-Executive Directors

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

Continuous Professional Development

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

During the year ended December 31, 2022, all Directors, including Mr. Bai Xiaojiang, Mr. Tan Leon Li-an, Mr. Wang Jisheng, Mr. Lu Hesheng, Mr. Huang James Chih-Cheng, Ms. Zhou Lijie, Mr. Chen Qunlin, Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin, have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group, and Mr. Bai Xiaojiang, Mr. Tan Leon Li-an, Mr. Wang Jisheng, Mr. Lu Hesheng, Mr. Huang James Chih-Cheng, Ms. Zhou Lijie, Mr. Chen Qunlin, Mr. Luo Zhuping, Mr. Ho Man, Ms. Liang Yanjun and Mr. Chen Xin have attended a training regarding Directors' duties, obligation of listed company, obligation of information disclosure and environmental, social and governance reporting.

Chairman and Chief Executive

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

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

Corporate Governance Function

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

— to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

— to review and monitor the training and continuous professional development of Directors and senior management;

— to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

— to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

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

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

BOARD COMMITTEES

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

Audit Committee

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

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

During the year ended December 31, 2022, the Audited Committee held 2 meetings. It had reviewed and discussed the interim and annual financial statements, the interim and annual result announcements and reports, the accounting principles and practices adopted by the Group and the effectiveness of the internal control of the Group and recommended the re-appointment of auditor to the Board.

Remuneration Committee

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

The Remuneration Committee currently comprises three members, namely Mr. Luo Zhuping and Ms. Liang Yanjun (appointed on December 9, 2022), the independent non-executive Directors, and Mr. Tan Leon Li-an, the vice-chairman and executive Director. Mr. Luo Zhuping is the chairman of the Remuneration Committee.

During the year ended December 31, 2022, the Remuneration Committee held 1 meetings. During the Year, the Remuneration Committee reviewed the remuneration policy and structure of the Company and the remuneration and performance of the duties of the executive Directors, senior management officers and other employees of the Company.

Nomination Committee

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

The Nomination Committee currently comprises five members, namely Mr. Bai Xiaojiang, the chairman and executive Director, Mr. Wang Jisheng, the executive Director, Mr. Luo Zhuping, Mr. Ho Man and Ms. Liang Yanjun (appointed on December 9, 2022), the independent non-executive Directors. Mr. Bai Xiaojiang is the chairman of the Nomination Committee.

During the year ended December 31, 2022, the Nomination Committee held 2 meetings. It had reviewed the re—appointment of directors, the structure, size and composition of the Board, the board diversity policy, and the retirement and rotation plan of the Directors and assessed the independence of each independent non-executive Director.

Compliance Committee

The Company has established the Compliance Committee with written terms of reference. The terms of reference of the Compliance Committee has been updated and published on the websites of the Stock Exchange and the Company on August 21, 2020. The updated terms of reference of the Compliance Committee includes review and monitor the environmental, social and corporate governance ("**ESG**") functions and duties. The primary functions of the Compliance Committee are, but not limited to, to review and monitor the legal and compliance aspects of the Group to ensure that the Group is in compliance with all applicable laws and regulations and ESG policy. The Compliance Committee has authority to seek external counsel's advice.

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

During the year ended December 31, 2022, the Compliance Committee held 2 meetings. It had reviewed the policies and practices on corporate governance and made recommendation to the Board, reviewed the training and continuous professional development of Directors, senior management and other employees in respect of compliance and ESG matters, the policies and practices on compliance with legal and regulatory requirements, the codes of conduct applicable to employees and Directors and the compliance with the corporate governance code and disclosure in the corporate governance report.

NOMINATION POLICY AND BOARD DIVERSITY

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

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

The Company has adopted a nomination policy and a board diversity policy with measurable objectives. The Nomination Committee evaluates the balance and blend of skills, experience and diversity of perspectives of the Board. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity professional experience, skills, knowledge, length of services and other qualities essential to the Company's business, and merit and contribution that the selected candidates will bring to the Board. The Nomination Committee and the Board will review such measurable objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee and the Board considered that, during the year ended December 31, 2022, the composition of the Board was balanced and diversified.

CORPORATE GOVERNANCE REPORT

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

GENDER DIVERSITY IN THE WORKFORCE

The gender ratio in the workforce (including senior management) is 41.3% female employees versus 58.7% male employee. As a death care service provider, the Group has a relevant higher percentage of female employee in the industry. We fully respect the legitimate rights and interests of every employee, resolutely put an end to possible discrimination within the Group, ensure that employees will not be treated differently due to gender, age, race, nationality, education background, religious belief and other differences, and strive to create a diversified and inclusive enterprise environment.

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

Pursuant to paragraph E.1.5 of the CG Code, the remuneration of 10 Directors and 2 senior management by band for the year ended December 31, 2022 is set out below:

Remuneration bands	**Number of individual**
HK$0 to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	—
HK$4,000,001 to HK$5,000,000	—
HK$5,000,001 to HK$6,000,000	2

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

EXTERNAL AUDITOR'S REMUNERATION

During the year ended December 31, 2022, the remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group are set out as below:

	Fees payable or paid	
	2022	2021
	RMB'000	RMB'000
Services rendered for the Group		
Audit service	**2,960**	3,100
Interim results review	**1,150**	1,000
Total Fees	**4,110**	4,100

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

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

During the year ended December 31, 2022, the Board has annually reviewed the effectiveness and efficiency of the implementation of its risk management and internal control systems, which covered all material financial, operational and compliance control and risk management. The Company considered them effective and adequate. The independent internal control consultant and the internal audit department reported directly to the audit committee, compliance committee and/or the Board semi-annually. There were no significant risks identified by the independent internal control consultant in the risk assessment.

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

The Board considers that the Group was able to maintain established and effective risk management and internal control systems during the year ended December 31, 2022.

COMPANY SECRETARY

The company secretary of the Company is Ms. Hu Yi ("**Ms. Hu**"). At present, Ms. Hu is responsible for investor relations, corporate finance and corporate governance of the Group.

In compliance with the requirements of Rule 3.29 of the Listing Rules, Ms. Hu had taken no less than 15 hours of the relevant professional training on review of Listing Rules and other compliance requirements during the year ended December 31, 2022.

SHAREHOLDERS' RIGHTS

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

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

Pursuant to Article 64 of Articles of Association, extraordinary general meeting of the Company shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company at the headquarter of the Company in the PRC, which is presently situated at Room 1306, No. 88 Cao Xi Road North, Shanghai, China 200030, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitionist(s).

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

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

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

Investor Relations and Communications with Shareholders

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

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

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

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

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

Address: Room 1306, No. 88 North Cao Xi Road North, Shanghai, China
Telephone: (86) 21 54255151 (board secretary office)
Email: ir@fsygroup.com

Constitutional Documents

During the year ended December 31, 2022 there had been no change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF FU SHOU YUAN INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fu Shou Yuan International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 182, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS — *continued*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from acquisitions	
We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the consolidated financial statements, combined with the significant judgement and estimates exercised by the management. As disclosed in Note 17 to the consolidated financial statements, as at December 31, 2022, the carrying amount of goodwill amounted to approximately RMB1,091 million. As set out in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgement, including the calculation of value in use of each cash-generating units ("CGUs") to which goodwill has been allocated. In estimate the value in use of the CGUs, key assumptions include projections of cash flows, growth rates and discount rates based on the management's view of future business. Details of such estimations are disclosed in Note 17.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Obtaining an understanding of the management controls over the impairment assessment of goodwill; • Examining the determination of recoverable amounts which are the value in use of CGUs to which goodwill has been allocated and obtaining an understanding of financial positions and future prospects of respective CGUs; • Obtaining the cash flow forecasts prepared by the management, reviewing and discussing with the management on the major assumptions adopted in the cash flow forecasts for each CGUs and checking arithmetic accuracy of the forecast calculation; • Comparing cash flow projections to supporting evidence, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective CGUs as well as our knowledge of the business; • Comparing the growth rates used to historical growth rates for business of respective CGUs; • Assessing the sensitivity analysis prepared by the management on the significant assumptions to evaluate the extent of impact of these assumptions on the cash flow forecasts; and • Engaging our internal valuation expert to assess the discount rates used in the impairment assessment model by benchmarking against independent data.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 17, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	**2,171,626**	2,325,848
Operating expenditures			
Staff costs		**(463,624)**	(469,616)
Construction costs		**(123,266)**	(167,358)
Consumed materials and goods		**(162,065)**	(177,538)
Outsourced service costs		**(55,417)**	(53,122)
Marketing and sales channel costs		**(43,155)**	(43,986)
Depreciation and amortisation		**(155,953)**	(146,734)
Other general operating expenditures		**(153,616)**	(197,643)
Inventory changes		**17,035**	28,448
Impairment losses under expected credit loss model ("ECL"), net of reversal		**(1,238)**	(3,821)
Profit from operations		**1,030,327**	1,094,478
Other income, gains and losses	6	**74,293**	103,580
Share of loss of a joint venture		**(7,407)**	(11,577)
Finance costs	7	**(5,008)**	(7,246)
Profit before taxation	8	**1,092,205**	1,179,235
Income tax expense	10	**(281,476)**	(289,591)
Profit and total comprehensive income for the year		**810,729**	889,644
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**658,596**	720,033
Non-controlling interests		**152,133**	169,611
		810,729	889,644
		RMB cents	RMB cents
Earnings per share — Basic	12	**29.0**	31.6
— Diluted	12	**29.0**	31.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
Non-current assets			
Property and equipment	13	**571,861**	582,636
Right-of-use assets	14	**116,711**	115,122
Investment property	15	**6,509**	6,509
Intangible assets	16	**273,614**	266,335
Goodwill	17	**1,091,243**	1,048,660
Financial assets at fair value through profit or loss ("FVTPL")	24	**38,110**	38,110
Deposits paid for acquisition leasehold land as cemetery assets		**29,117**	27,454
Cemetery assets	18	**1,930,650**	1,937,662
Investment in an associate		**750**	5,750
Investment in a joint venture	20	**132,960**	190,249
Restricted deposits	19	**81,394**	69,379
Deferred tax assets	21	**81,290**	76,630
Other long-term assets		**5,000**	5,000
		4,359,209	4,369,496
Current assets			
Inventories	22	**558,958**	544,487
Trade and other receivables	23	**423,116**	159,624
Financial assets at fair value through profit or loss	24	**487,883**	965,973
Time deposits	25	**33,467**	285,677
Bank balances and cash	26	**1,942,233**	1,075,606
Contract assets		**11,025**	4,587
		3,456,682	3,035,954
Current liabilities			
Trade and other payables	27	**699,530**	761,339
Lease liabilities	30	**25,239**	17,276
Contract liabilities	28	**96,456**	72,508
Loans from non-controlling shareholders of subsidiaries	29	**32,958**	27,184
Income tax liabilities		**179,938**	202,880
		1,034,121	1,081,187
Net current assets		**2,422,561**	1,954,767
Total assets less current liabilities		**6,781,770**	6,324,263

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
Non-current liabilities			
Lease liabilities	30	**39,464**	44,140
Contract liabilities	28	**456,237**	434,022
Deferred tax liabilities	21	**134,215**	137,068
Other long-term liabilities		**37,850**	36,713
		667,766	651,943
Net assets		**6,114,004**	5,672,320
Capital and reserves			
Share capital	31	**142,148**	142,179
Reserves	32	**5,333,610**	4,901,261
Equity attributable to owners of the Company		**5,475,758**	5,043,440
Non-controlling interests		**638,246**	628,880
Total equity		**6,114,004**	5,672,320

The consolidated financial statements on page 65 to 182 were approved and authorized for issue by the Board of Directors on March 17, 2023 and are signed on its behalf by:

Bai XiaoJiang
DIRECTOR

Wang Jisheng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

	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, 2021	141,510	(187,711)	1,422,309	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 year	–	–	–	–	–	–	–	720,033	720,033	169,611	889,644
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	(690)	(690)
Dividends recognized as distributions (Note 11)	–	–	(214,346)	–	–	–	–	–	(214,346)	–	(214,346)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(128,437)	(128,437)
Transfer to statutory surplus reserve	–	–	–	–	15,299	–	–	(15,299)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	14,191	14,191
Shares purchased by trustee under the restricted share incentive scheme (Note 33(b))	–	(71,958)	–	–	–	–	–	–	(71,958)	–	(71,958)
Exercise of share options	669	–	50,271	–	–	–	(9,110)	–	41,830	–	41,830
At December 31, 2021	142,179	(259,669)	1,258,234	84,667	193,102	(105,993)	–	3,730,920	5,043,440	628,880	5,672,320
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**658,596**	**658,596**	**152,133**	**810,729**
Acquisition of subsidiaries (Note 34)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,220)**	**(3,220)**
Dividends recognized as distributions (Note 11)	**–**	**–**	**(230,159)**	**–**	**–**	**–**	**–**	**–**	**(230,159)**	**–**	**(230,159)**
Dividends paid to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(100,587)**	**(100,587)**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**–**	**12,859**	**–**	**–**	**(12,859)**	**–**	**–**	**–**
Acquisition of non-controlling interests of a subsidiary (note)	**–**	**–**	**–**	**–**	**–**	**960**	**–**	**–**	**960**	**(38,960)**	**(38,000)**
Shares purchased by trustee under the restricted share incentive scheme (Note 33(b))	**–**	**4,840**	**–**	**–**	**–**	**–**	**–**	**–**	**4,840**	**–**	**4,840**
Repurchase and cancellation of shares (Note 31)	**(31)**	**–**	**(1,888)**	**–**	**–**	**–**	**–**	**–**	**(1,919)**	**–**	**(1,919)**
At December 31, 2022	**142,148**	**(254,829)**	**1,026,187**	**84,667**	**205,961**	**(105,033)**	**–**	**4,376,657**	**5,475,758**	**638,246**	**6,114,004**

Note:

During the year, the Group entered into agreements with the non-controlling shareholders of its subsidiary Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd. (遼寧觀陵山藝術園林公墓有限公司) ("Guanlingshan Cultural Cemetery"), to acquire 10% non-controlling interests in Guanlingshan Cultural Cemetery with total consideration of RMB38,000,000. The difference between non-controlling interests and fair value of consideration is recognized directly in equity under "other reserve" and attributed to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**1,092,205**	1,179,235
Adjustments for:		
Finance costs	**5,008**	7,246
Interest income	**(13,723)**	(14,869)
Gain on fair value changes of financial assets at FVTPL	**(30,574)**	(27,966)
Depreciation of property and equipment	**52,305**	51,321
Depreciation of right-of-use assets	**24,122**	23,802
Amortisation of cemetery assets	**64,227**	62,293
Amortisation of intangible assets	**15,299**	9,318
Net loss on disposal of property and equipment	**47**	572
Investment income from acquisition of subsidiary	**(9,242)**	—
Share of loss of a joint venture	**7,407**	11,577
Impairment losses under expected credit loss model, net of reversal	**1,238**	3,821
Operating cash flows before movements in working capital	**1,208,319**	1,306,350
Increase in restricted deposits	**(12,015)**	(7,976)
Increase in cemetery assets and inventories	**(5,216)**	(47,617)
Increase in deposits paid for acquisition of leasehold land as cemetery assets	**(1,663)**	(8,070)
Increase in trade and other receivables	**(29,145)**	(65,741)
(Decrease) increase in trade and other payables	**(39,875)**	13,238
Increase in contract liabilities	**46,163**	73,463
Cash generated from operations	**1,166,568**	1,263,647
Income taxes paid	**(313,635)**	(271,278)
NET CASH FROM OPERATING ACTIVITIES	**852,933**	992,369

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Purchase of and deposits paid for property and equipment and landscape and facilities	**(69,532)**	(123,181)
Prepayments and purchase of computer software	**(10,802)**	(5,449)
Payment for concession agreement	**(4,734)**	(43,950)
Payment for right-of-use assets	**–**	(3,022)
Proceeds on disposal of property and equipment	**3,856**	1,266
Considerations paid for acquisition of subsidiaries	**(82,142)**	(99,224)
Repayment of entrusted loans	**–**	6,950
Interest received	**13,873**	17,063
Received gain from fair value changes of financial assets at FVTPL	**31,409**	27,131
Withdrawal of time deposits	**285,677**	–
Placement of time deposits	**(33,467)**	(285,677)
Purchase of financial assets at FVTPL	**(372,645)**	(910,621)
Withdrawal of financial assets at FVTPL	**659,900**	927,575
Investment in an associate	**–**	(5,000)
Investment in joint ventures	**–**	(152,161)
Withdrawal of investment in a joint venture	**49,882**	–
Loan to third parties in connection with cemetery projects	**(58,040)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**413,235**	(648,300)
FINANCING ACTIVITIES		
New borrowings raised	**–**	5,000
Repayment of borrowings	**–**	(54,360)
Loans raised from non-controlling shareholders of subsidiaries	**–**	200
Repayments of loans to non-controlling shareholders of subsidiaries	**(4,410)**	(9,000)
Investment from non-controlling shareholders of subsidiaries	**–**	14,191
Interest paid	**(1,065)**	(3,220)
Repayments of loan from the third parties	**–**	(56,800)
Acquisition of non-controlling interests of subsidiaries	**(40,134)**	(1,100)
Dividends paid to non-controlling shareholders of subsidiaries	**(100,587)**	(128,437)
Dividends paid to owners of the Company	**(230,159)**	(214,346)
Payment on repurchase and cancellation of shares	**(1,919)**	–
Proceeds from exercise of share options	**–**	41,830
Proceeds (payment) for shares purchased by trustee under the restricted share incentive scheme	**4,840**	(71,958)
Repayments of leases liabilities	**(25,577)**	(23,884)
Repayments of other long-term liabilities	**(530)**	(601)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 RMB'000	2021 RMB'000
NET CASH USED IN FINANCING ACTIVITIES	**(399,541)**	(502,485)
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	**866,627**	(158,416)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,075,606**	1,234,022
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**1,942,233**	1,075,606

1. GENERAL INFORMATION

Fu Shou Yuan International Group Limited (the "Company") is a company incorporated on January 5, 2012 as an exempted company with limited liability in the Cayman Islands under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 19, 2013. The addresses of the registered office and the principal place of business of the Company are disclosed in the annual report. The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the sale of burial plots, provision of funeral services and provision of cemetery maintenance services as set out in Note 41.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, 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, 2022 for the preparation of the Group's consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

2.1 Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after January 1, 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by *the Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The application of this amendment has had no material impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *continued*

Amendments to IFRSs that are mandatorily effective for the current year — *continued*

2.2 Impacts on application of Amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognized and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of January 1, 2021.

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

2.3 Impacts on application of Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, January 1, 2022.

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *continued*

Amendments to IFRSs that are mandatorily effective for the current year — *continued*

2.4 Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018–2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, January 1, 2022.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or January 1, 2024.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *continued*

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on January 1, 2023. As at December 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB116,711,000 and RMB64,703,000, respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.1 Basis of preparation of consolidated financial statements — *continued*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that an initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Basis of consolidation — continued

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Changes in the Group interests in existing subsidiaries

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

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

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Business combinations or asset acquisitions — continued

Business combinations

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

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

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Business combinations or asset acquisitions — continued

Business combinations — continued

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Business combinations or asset acquisitions — continued

Business combinations-continued — continued

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under IFRS 9 Financial Instruments ("IFRS 9") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the "measurement period" (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Goodwill

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of CGUs) retained.

Investments in associates and joint ventures

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Investments in associates and joint ventures — continued

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Investments in associates and joint ventures — continued

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognized at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognized in the profit or loss in the period in which the additional interest are acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Interests in joint operations

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

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Revenue from contracts with customers — continued

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transactions price to each performance obligations on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at inception date. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group experts to be entitled in exchange for transferring the promised goods or services to customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on expected cost, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognizes such costs (sales commission) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Contract costs — continued

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessee — continued

Right-of-use assets — *continued*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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

Refundable rental deposits

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

Lease liabilities

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

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessee — continued

Lease liabilities — *continued*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessee — continued

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Leases — continued

The Group as a lessor — continued

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognized as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognized (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

Foreign currencies

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Employee benefits — continued

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

When the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognized in share option reserve will be transferred to share premium.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Taxation — continued

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Property and equipment — continued

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

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

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

Investment property

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

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

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

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Intangible assets

Intangible assets acquired separately

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

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

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Intangible assets — continued

Internally-generated intangible assets — research and development expenditure — continued

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

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

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

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Cemetery assets

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

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

Cash and cash equivalents

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

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

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 19.

Inventories

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Provisions

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

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

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

Classification and subsequent measurement of financial assets — *continued*

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

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

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

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

(i) Significant increase in credit risk

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial assets — continued

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

(v) Measurement and recognition of ECL — *continued*

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES — *continued*

3.2 Significant accounting policies — *continued*

Financial instruments — continued

Financial liabilities and equity — continued

Equity instruments

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

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

The impairment assessment of goodwill is dependent on certain significant inputs and estimations that involve the management's judgement, including the calculation of the value in use of each cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, growth rate and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment may arise. As at December 31, 2022, the carrying amounts of goodwill are approximately RMB1,091,243,000 (2021: RMB1,048,660,000). Details of recoverable amount calculation are disclosed in Note 17.

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

The management determines the estimated useful lives and the depreciation or amortisation method in determining the related depreciation or amortisation charges for its property and equipment, right-of-use assets, intangible assets and cemetery assets. This estimate is based on the management's experience of the actual useful lives of property and equipment, right-of-use assets, intangible assets and cemetery assets of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment, right-of-use assets, intangible assets and cemetery assets may not be recoverable. Management will increase the depreciation or amortisation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property and equipment, right-of-use assets, intangible assets and cemetery assets differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — *continued*

Estimated useful lives and impairment of property and equipment, right-of-use assets, intangible assets and cemetery assets — *continued*

As at December 31, 2022, the carrying amounts of property and equipment are approximately RMB571,861,000 (2021: RMB582,636,000). No impairment indicators on property and equipment were identified during the years ended December 31, 2022 and 2021. Details of movement are disclosed in Note 13. As at December 31, 2022 the carrying amounts of intangible assets are approximately RMB273,614,000 (2021: RMB266,335,000). No impairment indicators on intangible assets were identified during the years ended December 31, 2022 and 2021. Details of movement are disclosed in Note 16. As at December 31, 2022, the carrying amounts of right-of-use assets are approximately RMB116,711,000 (2021: RMB115,122,000). No impairment indicators on right-of-use assets were identified during the year ended December 31, 2022 and 2021. Details of movement are disclosed in Note 14. As at December 31, 2022, the carrying amounts of cemetery assets are approximately RMB1,930,650,000 (2021: RMB1,937,662,000). No impairment indicators on cemetery assets were identified during the year ended December 31, 2022 and 2021. Details of movement are disclosed in Note 18.

Estimated cemetery maintenance income

The Group estimates cemetery maintenance income to be separated performance obligation from the sale of burial plots each period. The consideration of cemetery maintenance income is determined by the expected cost plus a margin approach. The expected cost is based on cost of maintaining the cemetery over the service period, which includes labour cost, general and administrative expenses, and cost of maintenance of landscaping. The Group also considered factors such as increase in labour cost in future periods when estimating cemetery maintenance expense. Cemetery maintenance expense is marked up at a reasonable profit and is allocated to individual transaction to arrive at the amount of cemetery maintenance service price. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released based on expected cost over the period of service. Contract liability is reviewed at the end of each reporting period. If it is considered that cemetery maintenance income to be released is insufficient to cover the expected cost of maintenance, the Group will adjust the consideration of cemetery maintenance income in contract liabilities to fully cover the expected cost of maintenance. As at December 31, 2022, the carrying amounts of contract liabilities for cemetery maintenance services are approximately RMB509,523,000 (2021: RMB467,804,000), as disclosed in Note 28.

5. REVENUE AND SEGMENT INFORMATION

A. For the year ended December 31, 2022

(i) Disaggregation of revenue from contracts with customers

	2022	2021
	RMB'000	RMB'000
Geographical markets		
Mainland China	**2,154,712**	2,325,848
Overseas	**16,914**	—
	2,171,626	2,325,848
Timing of revenue recognition		
A point in time	**2,107,968**	2,232,447
Over time	**63,658**	93,401
Total	**2,171,626**	2,325,848

(ii) Performance obligations for contracts with customers

Sales of burial plots with maintenance services

The Group sells burial plots and provide cemetery maintenance services.

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

The cemetery maintenance service is considered to be a distinct service. Transaction price is allocated between sales of burial plots and the maintenance services. The contract price for the cemetery maintenance services is based on a nominal amount, which does not represent the fair value of such services. The Group estimates the fair value of the cemetery maintenance service income to be deferred based on the expected cost of providing such cemetery maintenance services plus a reasonable margin, less total future maintenance fees to be received. Revenue relating to the maintenance services is recognized over time. The transaction price allocated to these services is recognized as a contract liability at the time of the initial sales transaction and is released based on expected cost over the period of service.

5. REVENUE AND SEGMENT INFORMATION — *continued*

A. For the year ended December 31, 2022 — *continued*

(ii) Performance obligations for contracts with customers — continued

Sales of funeral services

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

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

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

The transaction price of cemetery maintenance services allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2022 and the expected timing of recognising revenue are as follows:

	Cemetery Maintenance Services	
	2022	2021
	RMB'000	RMB'000
Within one year	**53,286**	33,782
More than one year	**456,237**	434,022
Total	**509,523**	467,804

Regarding the nature of the pre-need contracts amounted to RMB43,170,000 (2021: RMB38,726,000), the expected timing of revenue recognition is based on the request of the customers.

5. REVENUE AND SEGMENT INFORMATION — *continued*

B. Operating Segments

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

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

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

Segment revenues and results

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

	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
For the year ended December 31, 2022:						
External sales	1,748,898	359,427	63,301	2,171,626	—	2,171,626
Inter-segment sales	—	—	24,328	24,328	(24,328)	—
Total	1,748,898	359,427	87,629	2,195,954	(24,328)	2,171,626
Segment profit (loss)	986,017	48,357	93	1,034,467	(4,140)	1,030,327
Other income, gains and losses						74,293
Finance costs						(5,008)
Share of loss of a joint venture						(7,407)
Profit before taxation						1,092,205

5. REVENUE AND SEGMENT INFORMATION — *continued*

B. Operating Segments — *continued*

Segment revenues and results — continued

	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
For the year ended December 31, 2021:						
External sales	1,907,676	331,970	86,202	2,325,848	—	2,325,848
Inter-segment sales	—	—	18,467	18,467	(18,467)	—
Total	1,907,676	331,970	104,669	2,344,315	(18,467)	2,325,848
Segment profit (loss)	1,058,903	49,596	(18,240)	1,090,259	4,219	1,094,478
Other income, gains and losses						103,580
Finance costs						(7,246)
Share of loss of joint ventures						(11,577)
Profit before taxation						1,179,235

Inter-segment sales are charged at prevailing market rates.

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

5. REVENUE AND SEGMENT INFORMATION — *continued*

B. Operating Segments — *continued*

Geographical information

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

	2022	2021
	RMB'000	RMB'000
Shanghai	**964,745**	997,379
Henan	**92,179**	124,785
Chongqing	**94,043**	91,423
Anhui	**193,146**	213,450
Shandong	**127,442**	98,855
Liaoning	**152,228**	191,793
Jiangxi	**104,226**	122,731
Fujian	**53,302**	48,821
Zhejiang	**44,634**	43,793
Jiangsu	**101,940**	111,443
Guangxi	**13,279**	19,210
Inner Mongolia	**16,291**	17,600
Guizhou	**53,041**	52,387
Hubei	**1,326**	801
Heilongjiang	**83,056**	88,951
Gansu	**13,447**	16,224
Total	**2,108,325**	2,239,646

Information about major customers

No single customer accounted for 10% or more of the Group's revenue during the years ended December 31, 2022 and 2021.

6. OTHER INCOME, GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Other income:		
Interest income		
— bank deposits	**13,723**	14,869
Government grants (Note i)	**26,597**	33,868
Management service income	**3,661**	7,974
Other service income (Note ii)	**—**	13,207
	43,981	69,918
Net gains and losses:		
Net loss on disposal of property and equipment	**(47)**	(572)
Donation	**(923)**	(1,560)
Net foreign exchange gain (loss)	**1,841**	(3,273)
Gain on fair value changes of financial assets at FVTPL	**30,574**	27,966
Investment income (Note 34)	**9,242**	—
Loss on claims in litigation (Note iii)	**(18,767)**	—
Others	**8,392**	11,101
	30,312	33,662
Other income, gains and losses	**74,293**	103,580

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

Note ii: Other service income related to a one-off income recognized in 2021 from an entity invested by Hainan Tongyuan Equity Investment Partners Corporation (Limited Partnership) ("Hainan Tongyuan") in accordance with the service contract.

Note iii: Wuyuan Wanshoushan Lingyuan Co., Ltd. ("Wuyuan Wanshoushan Cemetery"), one of the Group's subsidiaries, has settled the outstanding lawsuits as a defendant in 2022.

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on:		
— borrowings	–	1,812
— loans from non-controlling shareholders of subsidiaries (Note 29)	1,077	1,473
— lease liabilities	2,502	2,887
— other long-term liabilities	1,429	1,074
Total finance costs	5,008	7,246

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2022 RMB'000	2021 RMB'000
Staff costs, including Directors' remuneration:		
Salaries, wages, bonus and other benefits	425,967	437,887
Contributions to retirement benefits schemes (Note 38)	37,657	31,729
Total staff costs	463,624	469,616
Depreciation of property and equipment	52,305	51,321
Amortisation of intangible assets	15,299	9,318
Amortisation of cemetery assets	64,227	62,293
Depreciation of right-of-use assets	24,122	23,802
Auditor's remuneration	4,110	4,100

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2022 RMB'000	2021 RMB'000
Directors' fees	8,860	8,880
Other emoluments		
Discretionary bonus	2,000	2,000
Contributions to retirement benefits schemes	76	76
	10,936	10,956

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

For the year ended December 31, 2022

	Chief Executive Wang Jisheng RMB'000	Bai Xiaojiang RMB'000	Tan Leon Li-an RMB'000	Total RMB'000
A) Executive Directors				
Directors' fees	3,600	3,600	220	7,420
Discretionary bonus	1,000	1,000	–	2,000
Contributions to retirement benefits scheme	38	38	–	76
Sub-total	4,638	4,638	220	9,496

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

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

For the year ended December 31, 2022 — *continued*

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

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

	Chen Qunlin RMB'000 (Note)	Luo Zhuping RMB'000	Ho Man RMB'000	Liang Yanjun RMB'000	Chen Xin RMB'000	Total RMB'000
C) Independent Non-Executive Directors						
Directors' fees	–	240	240	240	–	720
Discretionary bonus	–	–	–	–	–	–
Contributions to retirement benefits scheme	–	–	–	–	–	–
Sub-total	–	240	240	240	–	720

Note: Chen Qunlin resigned on December 9, 2022.

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

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

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

For the year ended December 31, 2021

	Chief Executive Wang Jisheng RMB'000	Bai Xiaojiang RMB'000	Tan Leon Li-an RMB'000	Total RMB'000
A) Executive Directors				
Directors' fees	3,600	3,600	240	7,440
Discretionary bonus	1,000	1,000	—	2,000
Contributions to retirement benefits scheme	38	38	—	76
Sub-total	4,638	4,638	240	9,516

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

	Huang James Chih-Cheng RMB'000	Lu Hesheng RMB'000	Ma Xiang RMB'000 (Note)	Zhou Lijie RMB'000 (Note)	Total RMB'000
B) Non-Executive Directors					
Directors' fees	240	240	55	185	720
Discretionary bonus	—	—	—	—	—
Contributions to retirement benefits scheme	—	—	—	—	—
Sub-total	240	240	55	185	720

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

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

For the year ended December 31, 2021 — *continued*

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

Note: Ma Xiang resigned on March 24, 2021; Zhou Lijie was appointed as non-executive director of the Company on March 24, 2021; and Chen Xin was appointed as independent non-executive director of the Company on January 21, 2021.

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

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

The five highest paid individuals of the Group included two directors (2021: two) for the year ended December 31, 2022. The remuneration of the remaining three (2021: three) individuals who are neither a director nor chief executive of the Company during the year is as follows:

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	**3,620**	4,150
Discretionary bonus	**1,750**	2,000
Contributions to retirement benefits scheme	**49**	115
	5,419	6,265

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

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2022	2021
Hong Kong Dollars ("HK$") 1,500,001–HK$2,000,000	**2**	—
HK$2,000,001–HK$2,500,000	**1**	2
HK$2,500,001–HK$3,000,000	**—**	1
HK$3,000,001–HK$3,500,000	**—**	—
HK$5,000,001–HK$5,500,000	**2**	—
HK$5,500,001–HK$6,000,000	**—**	2
	5	5

10. INCOME TAX EXPENSE

	2022 **RMB'000**	2021 RMB'000
PRC Enterprise Income Tax ("PRC EIT")		
Current year	**293,089**	316,708
Over provision in prior years	**(2,396)**	(2,825)
Deferred tax (Note 21)	**(9,217)**	(24,292)
	281,476	289,591

10. INCOME TAX EXPENSE — *continued*

The income tax expense for the years ended December 31, 2022 and 2021 can be reconciled to the profit before taxation as follows:

	2022 **RMB'000**	2021 RMB'000
Profit before taxation	**1,092,205**	1,179,235
Tax at the PRC EIT rate of 25% (2021: 25%)	**273,051**	294,809
Tax effect of expenses not deductible for tax purpose	**11,553**	2,770
Tax effect of income not taxable for tax purpose	**—**	(1,263)
Tax effect of different tax rates	**(3,094)**	(2,504)
Tax effect of tax losses not recognized	**5,382**	8,432
Tax effect of losses of offshore entities not recognized	**2,006**	2,249
Utilization of tax losses previously not recognized	**(3,184)**	(5,755)
Tax deduction on exercised share options (Note (a))	**—**	(5,587)
Over provision in prior years	**(2,396)**	(2,825)
Effect of research and development expense ("R&D expenses") deduction (Note (b))	**(1,842)**	(735)
Income tax expense for the year	**281,476**	289,591

Notes:

(a) During the years ended December 31, 2022 and December 31, 2021, the relevant tax authorities have agreed that the share options granted by the Company to and exercised by the employees of certain of the Group's subsidiaries in the PRC can form a base for claiming tax deduction in respect of the EIT of those subsidiaries.

(b) Expenditure on research and development activities is recognized as an expense in the period in which it is incurred. Enterprises incurring R&D expenses for new technology, new products or new craftsmanship can enjoy R&D super-deduction policy which allows an extra 75% deduction in addition to the actual R&D expenses incurred. In September 22, 2022, the Ministry of Finance of the People's Republic of China and the State Taxation Administration of the People's Republic of China issued Bulletin [2022] No. 28 to allow all enterprises (excluding those in exceptional industries) to enjoy an upgraded R&D super-deduction rate from 75% to 100% on qualified R&D expenses incurred in the last quarter of 2022.

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

According to the Circular of the Ministry of Finance, General Administration of Customs and State Administration of Taxation on the Implementation of tax policies related to Small Enterprises with low profits (Caishui [2019] No. 13), certain subsidiaries are regarded as small entities and are subject to lower income tax rate of 10% during the years ended December 31, 2022 and 2021.

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. No provision for taxation in Hong Kong has been made as the Group did not have assessable profit earned or derived from Hong Kong during the years ended December 31, 2022 and 2021.

11. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends for ordinary shareholders of the Company recognized as distributions during the year		
2022 Interim — HK5.64 cents (2021: 2021 Interim — HK5.64 cents) per share	**118,934**	108,870
2021 Final — HK5.64 cents (2021: 2020 Final — HK5.53 cents) per share	**111,225**	105,476
	230,159	214,346

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2022 of 7.58 HK cents per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting. The dividend will be payable to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, June 21, 2023.

12. EARNINGS PER SHARE

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

	2022	2021
Profit for the year attributable to owners of the Company (RMB'000)	**658,596**	720,033
Earnings for the purposes of basic and diluted earnings per share (RMB'000)	**658,596**	720,033
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,271,451,099**	2,278,490,319
Effect of dilutive potential ordinary shares:		
Share options	**–**	94,842
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,271,451,099**	2,278,585,161

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2021	521,898	54,911	110,636	41,396	117,175	846,016
Additions	13,679	2,856	9,930	6,165	20,372	53,002
Acquired on acquisitions of subsidiaries	3,551	–	343	7	10,968	14,869
Transfer	8,304	816	922	–	(10,042)	–
Disposals	(1,798)	–	(3,463)	(3,924)	–	(9,185)
At December 31, 2021	**545,634**	**58,583**	**118,368**	**43,644**	**138,473**	**904,702**
Additions	**5,118**	**3,576**	**4,174**	**6,102**	**9,965**	**28,935**
Acquired on acquisitions of subsidiaries (Note 34)	**–**	**–**	**19**	**–**	**16,479**	**16,498**
Transfer	**15,910**	**58**	**11,711**	**–**	**(27,679)**	**–**
Disposals	**(6,253)**	**–**	**(3,439)**	**(2,388)**	**–**	**(12,080)**
At December 31, 2022	**560,409**	**62,217**	**130,833**	**47,358**	**137,238**	**938,055**
DEPRECIATION						
At January 1, 2021	148,658	40,639	58,877	29,918	–	278,092
Provided for the year	27,828	8,264	11,411	3,818	–	51,321
Eliminated on disposals	(521)	–	(3,097)	(3,729)	–	(7,347)
At December 31, 2021	**175,965**	**48,903**	**67,191**	**30,007**	**–**	**322,066**
Provided for the year	**28,348**	**4,284**	**14,691**	**4,982**	**–**	**52,305**
Eliminated on disposals	**(3,119)**	**–**	**(2,679)**	**(2,379)**	**–**	**(8,177)**
At December 31, 2022	**201,194**	**53,187**	**79,203**	**32,610**	**–**	**366,194**
CARRYING VALUES						
At December 31, 2021	369,669	9,680	51,177	13,637	138,473	582,636
At December 31, 2022	**359,215**	**9,030**	**51,630**	**14,748**	**137,238**	**571,861**

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

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

As at December 31, 2022, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB74,001,000 (2021: RMB144,099,000) had not been obtained.

14. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
At December 31, 2022			
Carrying amount	**61,727**	**54,984**	**116,711**
At December 31, 2021			
Carrying amount	63,806	51,316	115,122
For the year ended December 31, 2022			
Depreciation charge	**(2,099)**	**(22,023)**	**(24,122)**
For the year ended December 31, 2021			
Depreciation charge	(2,162)	(21,640)	(23,802)

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases and low-value assets	**5,932**	21,314
Variable lease payments not included in the measurement of lease liabilities	**171**	238
Total cash outflow for leases	**31,680**	45,436
Additions to right-of-use assets	**25,710**	12,460

For both years, the Group leases land and properties for its operations. Lease contracts are entered into for fixed term of 1 year to 25 years (2021: 1 year to 25 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for properties. As at December 31, 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases entered during the year.

Restrictions or covenants on leases

In addition, lease liabilities of RMB64,703,000 (2021: RMB61,416,000) are recognized with related right-of-use assets of RMB116,711,000 (2021: RMB115,122,000) as at December 31, 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15. INVESTMENT PROPERTY

	RMB'000
FAIR VALUE	
At January 1, 2021	6,509
Addition	–
Net increase in fair value recognized in profit or loss	–
At December 31, 2021	**6,509**
Addition	**–**
Net increase in fair value recognized in profit or loss	**–**
At December 31, 2022	**6,509**

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

In the opinion of the Directors, the fair value of investment property as at December 31, 2022 and December 31, 2021 approximates to the carrying value after taking account of market comparable data.

The following table gives information about how the fair values of these investment properties as at December 31, 2022 are determined (in particular, the valuation approaches and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorise based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the consolidated statement of financial position	**Fair value hierarchy**	**Valuation technique and key input(s)**
Residential property located in Shanghai – completed property RMB6,509,000 (2021: RMB6,509,000)	Level 3	Market-based approach-based on the time, location and individual factors, such as frontage and the size, between the comparables and the property. The key input: Price per square meter RMB67,000 (Note)

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

There were no transfers into or out of Level 3 during the year.

16. INTANGIBLE ASSETS

	Computer software RMB'000	Concession agreement RMB'000	License for provision of funeral services RMB'000	Total RMB'000
COST				
At January 1, 2021	24,086	167,597	11,808	203,491
Additions	4,933	88,094	—	93,027
At December 31, 2021	**29,019**	**255,691**	**11,808**	**296,518**
Additions	**13,726**	**8,852**	**—**	**22,578**
At December 31, 2022	**42,745**	**264,543**	**11,808**	**319,096**
AMORTISATION				
At January 1, 2021	14,686	6,179	—	20,865
Provided for the year	4,336	4,982	—	9,318
At December 31, 2021	**19,022**	**11,161**	**—**	**30,183**
Provided for the year	**7,327**	**7,972**	**—**	**15,299**
At December 31, 2022	**26,349**	**19,133**	**—**	**45,482**
CARRYING VALUES				
At December 31, 2021	9,997	244,530	11,808	266,335
At December 31, 2022	**16,396**	**245,410**	**11,808**	**273,614**

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

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

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

16. INTANGIBLE ASSETS — *continued*

The license will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. During the years ended December 31, 2022 and 2021, the management determined that there was no impairment of license.

During the year ended December 31, 2022, the Group performed impairment review for the license of the cash-generating units ("CGUs") of Chongqing Anle Services Co., Ltd. ("Chongqing Anle Services") based on cash flow forecasts. The key assumptions for the cash flow forecasts are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The cash flow forecasts derived from the most recent financial budgets for the next ten years was approved by management using pre-tax discount rate of 14% (2021: 14%) per annum which reflects current market assessments of the time value of money and the risks specific to the CGUs. The cash flows beyond the next 10 years (2021: 10 years) are extrapolated using a growth rate of 3% (2021: 3%) per annum. The growth rates are by reference to industry growth forecasts. The recoverable amount is significantly above the carrying amount of CGUs. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

17. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to each of the individual CGUs relating to 23 subsidiaries (2021: 22). During the years ended December 31, 2022 and 2021, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill. The movements of goodwill for the years ended December 31, 2022 and 2021 are as follows:

	31/12/2022 RMB'000	31/12/2021 RMB'000
COST		
At January 1, 2022	**1,048,660**	860,637
Arising from consideration change (Note)	**4,989**	—
Arising from acquisition of subsidiaries (Note 34)	**37,594**	188,023
At December 31, 2022	**1,091,243**	1,048,660

Note: In March 2021, Shanghai Fu Shou Yuan Industry Group Co., Ltd. ("Shanghai Fu Shou Yuan") entered into an agreement with independent third parties to acquire 90% equity interest in Heze Fuluyuan Culture Cemetery Co., Ltd. The acquisition was completed in December 2021 and accounted for using the acquisition method for an estimated total consideration of RMB90,032,000. In June 2022, a supplementary agreement was entered into whereby certain clauses were updated and finalized among which the total consideration was adjusted to RMB95,021,000, resulting in an increase of goodwill of RMB4,989,000.

17. GOODWILL — *continued*

The carrying amounts of goodwill as at December 31, 2022 and 2021 are as follows:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Shanghai Nanyuan Industrial Development Co., Ltd. ("Haigang Fu Shou Yuan")	**9,595**	9,595
Jinzhou Maoshan Anling Co., Ltd. ("Jinzhou Maoshan Anling")	**3,738**	3,738
Henan Fu Shou Yuan Industrial Co., Ltd. ("Henan Fu Shou Yuan")	**14,769**	14,769
Chongqing Baitayuan Funeral and Burial Development Co., Ltd. ("Chongqing Baitayuan")	**47,458**	47,458
Nanchang Fu Shou Yuan Funerial Co., Ltd. ("Meilin Century Cemetery")	**18,899**	18,899
Liaoning Guanlingshan Cultural Landscape CemeteryCo., Ltd. ("Guanlingshan Cultural Cemetery")	**47,245**	47,245
Wuyuan Wanshoushan Cemetery	**36,107**	36,107
Anyang Fu Shou Yuan Civil Service Co., Ltd. ("Anyang Tianshouyuan Cemetery")	**2,425**	2,425
Changzhou Qifengshan International Cemetery Co., Ltd. ("Changzhou Qifengshan Cemetery")	**87,425**	87,425
Zaozhuang Fu Shou Yuan Funeral and Burial Service Co., Ltd. ("Zaozhuang Shanting Xingtai")	**22,973**	22,973
Luoyang Xianhe Memorial Cemetery Co., Ltd. ("Luoyang Xianhe Cemetery")	**23,451**	23,451
Beijing Temshine Cemetery Design Group Ltd. ("Temshine")	**23,433**	23,433
Guangxi Huazuyuan Investment Co.,Ltd. ("Guangxi Huazuyuan Cemetery")	**22,756**	22,756
Chaoyang Longshan Fuyuan Cemetery Co., Ltd. ("Chaoyang Longshan Cemetery")	**12,903**	12,903
Zheng'an Fu Shou Yuan Industrial Co., Ltd. ("Guizhou Tianyuanshan")	**19,123**	19,123
Inner Mongolia Fu Shou Yuan Industrial Co., Ltd. ("Helinge'er Anyou Cemetery")	**35,721**	35,721
Hubei Tiansheng Cemetery Co., Ltd. ("Hubei Tiansheng Cemetery")	**13,560**	13,560
Jinsha Fu Shou Yuan Industrial Co., Ltd. ("Jinsha Fuze")	**66,176**	66,176
Harbin Mingxiyuan Cemetery Co., Ltd. ("Harbin Mingxiyuan Cemetery")	**352,880**	352,880
Anhui Longmen Culture Cemetery Co., Ltd. ("Anhui Longmen")	**90,673**	90,673
Heze Fuluyuan Culture Cemetery Co., Ltd. ("Heze Fuluyuan")	**101,226**	96,237
Zhengzhou Anletang Funeral Service Co., Ltd. ("Zhengzhou Anletang")	**1,113**	1,113
Zhuolu Longhui Tianfu Yuanbaoshan Development and Management Co., Ltd. ("Zhuolu Yuanbaoshan")	**37,594**	—
	1,091,243	1,048,660

17. GOODWILL — *continued*

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

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

All these calculations use cash flow projections based on financial budgets approved by management covering a ten-year (2021: ten-year) period and a discount rate of 14% (2021: 14%). Cash flow beyond that ten-year period has been extrapolated using a steady 3% (2021: 3%) growth rate for conservative purpose. Management believes that any reasonably possible change in any of these assumptions would not cause the respective carrying amount of Haigang Fu Shou Yuan, Jinzhou Maoshan Anling, Henan Fu Shou Yuan, Chongqing Baitayuan, Meilin Century Cemetery, Guanlingshan Cultural Cemetery, Wuyuan Wanshoushan Cemetery, Anyang Tianshouyuan Cemetery, Changzhou Qifengshan Cemetery, Zaozhuang Shanting Xingtai, Luoyang Xianhe Cemetery, Temshine, Guangxi Huazuyuan Cemetery, Chaoyang Longshan Cemetery, Guizhou Tianyuanshan, Helinge'er Anyou Cemetery, Hubei Tiansheng Cemetery, Jinsha Fuze, Harbin Mingxiyuan Cemetery, Anhui Longmen, Heze Fuluyuan, Zhengzhou Anletang and Zhuolu Yuanbaoshan to exceed the respective recoverable amount of the respective CGUs.

18. CEMETERY ASSETS

	Leasehold land RMB'000	Landscape facilities RMB'000	Development costs RMB'000	Total RMB'000
COST				
At January 1, 2021	1,355,661	331,632	414,754	2,102,047
Additions	119,935	43,637	8,704	172,276
Acquired on acquisitions of subsidiaries	53,712	–	3,659	57,371
Transfer to inventories	(17,202)	(6,055)	(7,506)	(30,763)
At December 31, 2021	**1,512,106**	**369,214**	**419,611**	**2,300,931**
Additions	**–**	**50,610**	**9,620**	**60,230**
Acquired on acquisitions of subsidiaries (Note 34)	**15,860**	**–**	**–**	**15,860**
Transfer to inventories	**(14,541)**	**(1,901)**	**(3,514)**	**(19,956)**
At December 31, 2022	**1,513,425**	**417,923**	**425,717**	**2,357,065**
AMORTISATION				
At January 1, 2021	163,384	95,077	45,527	303,988
Provided for the year	34,116	17,863	10,314	62,293
Eliminated on transfer	(1,571)	(754)	(687)	(3,012)
At December 31, 2021	**195,929**	**112,186**	**55,154**	**363,269**
Provided for the year	**31,490**	**22,327**	**10,410**	**64,227**
Eliminated on transfer	**(567)**	**(202)**	**(312)**	**(1,081)**
At December 31, 2022	**226,852**	**134,311**	**65,252**	**426,415**
CARRYING VALUES				
At December 31, 2021	1,316,177	257,028	364,457	1,937,662
At December 31, 2022	**1,286,573**	**283,612**	**360,465**	**1,930,650**

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

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

18. CEMETERY ASSETS — *continued*

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

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

19. RESTRICTED DEPOSITS

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

20. INVESTMENT IN A JOINT VENTURE

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Cost of investment in a joint venture	**152,160**	202,042
Share of loss of a joint venture	**(19,200)**	(11,793)
	132,960	190,249

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

Name of entity#	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Cost of investment by the Group		Principal activity
			2022 **%**	2021 %	**2022** **%**	2021 %	**2022** **RMB'000**	2021 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**	40	**152,160**	202,042	Investment holding

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

Note: During the year, Jiaxing Fuji returned the investment to the Group and other parties in the same proportion of ownership interest. The Group received RMB49,882,000 and hence, the Group's cost of investment decreased from RMB202,042,000 as at December 31, 2021 to RMB152,160,000 as at December 31, 2022.

20. INVESTMENT IN A JOINT VENTURE — *continued*

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

Jiaxing Fuji

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**266,161**	347,957
Non-current assets	**185,146**	192,876
Current liabilities	**142,492**	137,184

The above amounts of assets and liabilities include the following:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Cash and cash equivalents	**62,596**	231,043
Current financial liabilities (excluding trade and other payables and provisions)	**8,000**	8,000

	2022 RMB'000	2021 RMB'000
Revenue	**37,199**	23,383
Profit and total comprehensive income for the year	**6,964**	3,754
Profit and total comprehensive income for the year attributable to:		
Owners of the Company	**4,263**	2,150
Non-controlling interests	**2,701**	1,604
	6,964	3,754

The carrying amount of the interest in Jiaxing Fuji recognized in the consolidated financial statements was adjusted by the priority distribution of profits. Hence, the share of loss of a joint venture was RMB7,407,000 during the year of 2022 (2021: RMB11,793,000).

21. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized by the Group and movements thereon during the years ended December 31, 2022 and 2021:

	Contract liabilities RMB'000	Tax losses RMB'000	Loss allowance RMB'000	Fair value adjustment RMB'000 (note)	Total RMB'000
At January 1, 2021	40,355	15,465	—	(136,354)	(80,534)
Acquisition of subsidiaries	—	—	—	(4,196)	(4,196)
Credit to profit or loss	12,740	4,474	1,575	5,503	24,292
At December 31, 2021	**53,095**	**19,939**	**1,575**	**(135,047)**	**(60,438)**
Acquisition of subsidiaries (Note 34)	**—**	**—**	**—**	**(1,704)**	**(1,704)**
Credit to profit or loss	**6,465**	**(2,122)**	**309**	**4,565**	**9,217**
At December 31, 2022	**59,560**	**17,817**	**1,884**	**(132,186)**	**(52,925)**

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

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Deferred tax assets	**81,290**	76,630
Deferred tax liabilities	**(134,215)**	(137,068)
	(52,925)	(60,438)

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

The Group has unused tax losses of the PRC subsidiaries and offshore subsidiaries of approximately RMB201,667,000 (2021: RMB190,675,000) as at December 31, 2022. Deferred tax assets have been recognized in respect of approximately RMB71,268,000 (2021: RMB79,756,000) of such losses as at December 31, 2022. No deferred tax assets of the offshore subsidiaries have been recognized in respect of the remaining approximately RMB36,562,000 (2021: RMB40,364,000) as at December 31, 2022 due to the unrecognized losses of offshore entities. No deferred tax assets of the PRC subsidiaries have been recognized in respect of the remaining approximately RMB93,837,000 (2021: RMB70,555,000) as at December 31, 2022 due to the unpredictability of future profit streams.

21. DEFERRED TAXATION — *continued*

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
2022	**—**	2,936
2023	**8,698**	8,698
2024	**14,695**	14,695
2025	**19,370**	19,960
2026	**24,117**	24,266
2027	**26,957**	—
	93,837	70,555

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB4,481,102,000 (2021: RMB3,824,675,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Burial plots	**407,299**	393,004
Tombstone	**99,744**	99,636
Others	**51,915**	51,847
	558,958	544,487

23. TRADE AND OTHER RECEIVABLES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Trade receivables from contract with customers	**142,934**	112,165
Less:Allowance for credit losses	**(5,059)**	(3,821)
	137,875	108,344
Other receivables comprise:		
Prepayments and rental deposits on properties	**2,435**	2,564
Other service receivables	**6,000**	14,000
Staff advances	**1,212**	2,962
Deposits for new projects	**6,773**	7,658
Prepayments to suppliers	**7,290**	11,373
Interest receivables	**263**	413
Receivables from liquidation of a partnership (Note 24(b))	**190,000**	—
Loans to third parties in connection with cemetery projects	**60,192**	2,152
Others	**11,076**	10,158
	423,116	159,624

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

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Within one year	**91,255**	90,399
Over one year but less than two years	**41,944**	15,571
Over two years but less than three years	**2,810**	1,805
Over three years but less than four years	**1,555**	569
Over four years but less than five years	**311**	—
	137,875	108,344

23. TRADE AND OTHER RECEIVABLES — *continued*

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

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 year ended December 31, 2022:

	Lifetime ECL (not credit-impaired) RMB'000 (audited)
At December 31, 2021	**3,821**
Credit losses recognized on receivables	**1,238**
At December 31, 2022	**5,059**

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Unlisted cash management products (a)	**487,883**	665,973
Equity investment (b)	**38,110**	338,110
	525,993	1,004,083
Analysed for reporting purposes as:		
Current assets	**487,883**	965,973
Non-current assets	**38,110**	38,110
	525,993	1,004,083

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

(a) Unlisted cash management products

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

Details of the cash management products as at December 31, 2022 are as follows:

Bank	Name of products	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal-guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈1號)	RMB	88,110	Redeemable on call after 1 work day on work day	2.14%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (“天添利普惠計劃”)	RMB	32,720	Redeemable on call after 1 work day on work day	1.98%	N
Shanghai Pudong Development Bank	Ji Ji Xin (季季鑫4號)	RMB	150,000	Redeemable on call after 90 work days on work day	2.94%	N
Subtotal		RMB	270,830			
China Construction Bank	Hui Zhong Ri Sheng (惠眾日申周贖產品)	RMB	102,053	7 days cycle	2.52%	N
Subtotal		RMB	102,053			
Bank of Shanghai	Yi Jing Ling (易精靈)	RMB	50,000	Redeemable on call after 1 work day on work day	2.20%	N
Subtotal		RMB	50,000			
Shanghai Rural Commercial Bank	Ji Ji Xin Li (公司款季季鑫利3個月定開)	RMB	35,000	10/1/2023	3.20%	N
Shanghai Rural Commercial Bank	Tian Tian Ying (天天盈C款)	RMB	30,000	Redeemable on call after 1 work day on work day	1.69%	N
Subtotal		RMB	65,000			
Total		RMB	487,883			

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

The cash management products have been accounted for as financial assets at FVTPL on initial recognition. In the opinion of the Directors, the fair value of the cash management products at December 31, 2022 approximated their carrying amounts.

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

(b) Equity investment

In July 2018, the Group made an equity investment in Changchun Huaxia Cemetery Co., Ltd. ("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. 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 RMB38,110,000 as at December 31, 2022 and the fair value change of these equity investments was due to the revaluation of the investment. The performance of Huaxia Cemetery for the year ended December 31, 2022 was consistent with the expectation at time of investment decision.

In January 2021, the Group entered into a limited partnership agreement with other partners in respect of the establishment of 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. In December 2021, a resolution was passed among all the partners whereby Hainan Tongyuan was scheduled to be dissolved in 2022. During the year, RMB110,000,000 has been received and as at December 31, 2022, the outstanding and pledged receivable amounted to RMB190,000,000 which will be collectible before the end of 2023 in accordance with the relevant agreement. The equity investment of Hainan Tongyuan was derecognized as at December 31, 2022.

25. TIME DEPOSITS

	31/12/2022 RMB'000	31/12/2021 RMB'000
RMB-denominated	**33,467**	285,677

As at December 31, 2022, the Group had fixed-term deposits of USD4,800,000, equivalent to RMB33,467,000, in banks in the PRC with maturity of six months to one year and fixed interest rate ranging from 0.8% to 3.74% per annum. (December 31, 2021: 0.01% to 2.30%).

26. BANK BALANCES AND CASH

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

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Interest rate per annum		
— RMB	**0.20%–2.03%**	0.30%–2.03%
— HK$	**0.01%**	0.01%
— US$	**0.05%**	0.05%

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

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
HK$	**21,478**	15,093
US$	**1,075**	797
	22,553	15,890

27. TRADE AND OTHER PAYABLES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Trade payables	**308,552**	281,752
Other payables comprise:		
Advances and deposits from customers	**21,961**	32,054
Payables for acquisition of property and equipment	**354**	888
Salary, welfare and bonus payables	**155,339**	158,442
Other accrued expenses	**55,381**	52,575
Consideration payables for acquisition of subsidiaries	**71,946**	168,277
Consideration payables for acquisition of non-controlling interests (Note1)	**3,936**	6,070
Reimbursed payables due to third parties (Note2)	**43,377**	—
Others	**38,684**	61,281
	699,530	761,339

Note1: During the year of 2019, the Group entered into agreements with the non-controlling shareholders of its subsidiaries, to acquire 49% non-controlling interests in Temshine. During the year, the consideration of RMB2,134,000 was paid and the remaining payable as at December 31, 2022 was RMB3,936,000.

Note 2: In June 2022, reimbursed payables due to third parties of RMB57,829,000 were recognized at the date of acquisition of Zhuolu Yuanbaoshan. During the period from the date of acquisition to December 31, 2022, the Group settled RMB14,452,000 and the remaining balance of reimbursed payables due to third parties was RMB43,377,000 as at December 31, 2022.

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
0–90 days	**96,462**	101,794
91–180 days	**27,746**	29,159
181–365 days	**35,670**	32,079
Over 365 days	**148,674**	118,720
	308,552	281,752

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

28. CONTRACT LIABILITIES

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Cemetery maintenance services	**509,523**	467,804
Sales of pre-need contracts	**43,170**	38,726
	552,693	506,530
Current	**96,456**	72,508
Non-current	**456,237**	434,022
	552,693	506,530

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

Cemetery maintenance services

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

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

During the year ended December 31, 2022, the contract liability of RMB29,006,000 (2021: RMB27,501,000) recorded at the beginning of the year was recognized as revenue as the cemetery maintenance services were offered.

Sales of pre-need contracts

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

During the year ended December 31, 2022, the contract liability of RMB2,505,000 (2021: RMB1,895,000) recorded at the beginning of the year was recognized as revenue as the funeral services were offered.

29. LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Chongqing Guolong Agricultural Science and Technology Development Co. Ltd.* (Note 1) (重慶國隆農業科技發展有限公司)	**22,540**	26,950
Individual A (Note 1)	**246**	234
Individual B and Individual C (Note 2)	**10,172**	–
	32,958	27,184
Current	**32,958**	27,184
Non-current	**–**	–
	32,958	27,184

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

Note 1: The loans from Chongqing Guolong Agricultural Science and Technology Development Co. Ltd. and Individual A were extended in 2022 and carry a fixed interest rate at 4.35% and 6.00% per annum respectively. They are due within one year from the extension date.

Note 2: In 2021, Shanghai Fu Shou Yuan lent RMB101,720,000 to Heze Fuluyuan with zero interest rate in connection with the acquisition of the landbank. After the acquisition of Heze Fuluyuan in December 2021, the non-controlling shareholders of Heze Fuluyuan, named Individual B and Individual C, and Shanghai Fu Shou Yuan entered into a supplementary agreement in June 2022, whereby Shanghai Fu Shou Yuan agreed to transfer part of the creditor's right amounting to RMB10,172,000 to Individual B and Individual C as part of the consideration for the acquisition of Heze Fuluyuan, resulting in loans from non-controlling shareholders of subsidiaries.

30. LEASE LIABILITIES

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Lease liabilities payable:		
Within one year	**25,239**	17,276
Within a period of more than one year but not exceeding two years	**13,855**	10,118
Within a period of more than two years but not exceeding five years	**24,554**	22,948
Within a period of more than five years	**1,055**	11,074
Subtotal	**64,703**	61,416
Less: Amount due for settlement within 12 months shown under current liabilities	**(25,239)**	(17,276)
Amount due for settlement after 12 months shown under non-current liabilities	**39,464**	44,140

The weighted average incremental borrowing rates applied to lease liabilities is 4.35% (2021: 4.35%).

31. SHARE CAPITAL

	Number of shares	Amount US$
Ordinary shares of US$0.01 each		
Authorized:		
At January 1, 2021, December 31, 2021 and December 31, 2022	20,000,000,000	200,000,000

	Number of shares	Amount US$	Shown in the consolidated financial statements as RMB'000
Issued and fully paid:			
At January 1, 2021	2,310,057,922	23,100,579	141,510
Exercise of share options (Note 33)	10,308,500	103,085	669
At December 31, 2021	2,320,366,422	23,203,664	142,179
Repurchase and cancellation of shares (Note)	(503,000)	(5,030)	(31)
At December 31, 2022	2,319,863,422	23,198,634	142,148

Note: During the year of 2022, the Group repurchased its ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
September 2022	263,000	4.51	4.31	1,163
October 2022	240,000	4.29	3.98	981

The above ordinary shares were cancelled upon repurchase.

32. RESERVES

Statutory surplus reserve

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

Special reserve

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

Other reserve

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

33. 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. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. Under the Share Option Scheme, the Directors may offer to grant an option to any director or employee, or any advisor, consultant, suppliers, customers or shareholder of any member of the Group (the "Eligible Participants").

33. SHARE-BASED COMPENSATION — *continued*

(a) Share Option Scheme — *continued*

Granted on August 5, 2014

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

(1) All Share Option A are granted at an exercise price of HK$4.14 per share.

(2) All Share Option A granted to the employees under the Share Option Scheme can only be exercised in the following manners:

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

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

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

The fair values of the Share Option A granted to the Directors and employees at grant date are HK$1.27 per share and HK$0.78 per share respectively, representing RMB37,849,000 in total, which is determined using a binomial option pricing model. The inputs into the model were as follows:

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

33. SHARE-BASED COMPENSATION — *continued*

(a) Share Option Scheme — *continued*

Granted on August 5, 2014 — continued

The risk-free interest rates were based on market yield rate of Hong Kong Government Bond with maturity with 4 years and 10 years as at the date of grant, respectively. Expected volatility was determined based on the historical share price volatility. The Binomial Model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Granted on March 19, 2015

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

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

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

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

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

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

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity with 4 years as at the date of grant.

Expected volatility was determined based on the historical share price volatility. The Binomial Model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

33. SHARE-BASED COMPENSATION — *continued*

(a) Share Option Scheme — *continued*

Granted on March 24, 2016

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

(1) All Share Option Care granted at an exercise price of HK$5.824 per share.

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

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

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

Grant date share price	HK$5.52
Exercise price	HK$5.824
Expected volatility	34.34%
Option life	4 years
Dividend yield	2%
Risk-free interest rate	0.99%
Forfeiture rate	4.30%

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity with 4 years as at the date of grant.

Expected volatility was determined based on the historical share price volatility. The Binomial Model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

33. SHARE-BASED COMPENSATION — *continued*

(a) Share Option Scheme — *continued*

Granted on May 16, 2016

On May 16, 2016, the Company granted 2,000,000 share options (the "Share Option D") to the Directors under the following terms:

(1) All Share Option D are granted at an exercise price of HK$5.466 per share.

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

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

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

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

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity with 4 years as at the date of grant.

Expected volatility was determined based on the historical share price volatility. The Binomial Model has been used to estimate the fair value of the options. The variable and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

33. SHARE-BASED COMPENSATION — *continued*

(a) Share Option Scheme — *continued*

Granted on March 20, 2017

On March 20, 2017, the Company granted 50,000,000 share options (the "Share Option E") to the Directors of the Company and employees of the Group under the following terms:

(1) All Share Option E are granted at an exercise price of HK$4.850 per share.

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

Exercise Period	**Maximum percentage of share underlying the option exercisable**
From March 20, 2019 to March 19, 2021	50% of the total number of shares underlying the options granted.
From March 20, 2020 to March 19, 2021	50% of the total number of shares underlying the options granted.

The fair value of the Share Option E at grant date is HK$1.00 per share, representing RMB44,301,000 in total, which is determined using a binomial option pricing model. The inputs into the model were as follows:

Grant date share price	HK$4.850
Exercise price	HK$4.850
Expected volatility	29.22%
Option life	4 years
Dividend yield	2%
Risk-free interest rate	1.41%
Forfeiture rate	3.83%

The risk-free interest rate was based on market yield rate of Hong Kong Government Bond with maturity with 4 years as at the date of grant.

Expected volatility was determined based on the historical share price volatility. The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

No option were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended December 31, 2022.

33. SHARE-BASED COMPENSATION — *continued*

(a) Share Option Scheme — *continued*

Since Share Option A, B, C and D have no outstanding balance at January 1, 2021, set out below are details of movements of the outstanding options in relation to Share Option E granted under the Share Option Scheme during the year ended December 31, 2021:

				Number of options				
	Batch	Date of grant	Exercise price per Share (HK$)	Balance outstanding as at January 1, 2021	Exercised during the year ended December 31, 2021	Lapsed during the year ended December 31, 2021	Forfeited during the year ended December 31, 2021	Balance outstanding as at December 31, 2021
Directors								
Lu Hesheng	Share Option E	March 20, 2017	4.850	500,000	(500,000)	–	–	–
Chen Qunlin	Share Option E	March 20, 2017	4.850	300,000	(300,000)	–	–	–
Luo Zhuping	Share Option E	March 20, 2017	4.850	300,000	(300,000)	–	–	–
Ho Man	Share Option E	March 20, 2017	4.850	300,000	(300,000)	–	–	–
				1,400,000	(1,400,000)	–	–	–
Other employees	Share Option E	March 20, 2017	4.850	8,908,500	(8,908,500)	–	–	–
Total				10,308,500	(10,308,500)	–	–	–
Exercisable at December 31				10,308,500				–
Weighted average exercise price (HK$)				4.85	4.85	N/A	N/A	N/A

As at December 31, 2022, no (2021: nil) share options remains outstanding under the Share Option Scheme, representing nil (2021: nil) of the ordinary shares of the Company in issue at that date.

In respect of the share options exercised during the year 2021, the weighted average share price at the dates of exercise is HK$7.35.

The Group recognized total expense of nil for the year (2021: nil) in relation to share Option E (2021: Share Option E) granted by the Group under Share Option Scheme.

33. 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 2022, the trustee of the restricted share incentive scheme purchased nil (2021: 14,000,000) of the Company's shares from the open market as follows:

Month of repurchase	No. of ordinary shares	Price per share	Aggregate consideration paid
		RMB	RMB'000
July 2021	14,000,000	5.42	75,830

The total amount paid to acquire the shares was approximately RMB75,830,000 and has been deducted from shareholders' equity as at December 31, 2021. The shares purchased by the trustee that are not yet granted for this restricted share incentive scheme were recorded as treasury shares of the Group. As at December 31, 2022, there were 48,800,000 treasury shares held through the trustee of the restricted share incentive scheme, and no such shares have been granted.

34. ACQUISITION OF SUBSIDIARIES

Acquisition of 51% equity interest in Zhuolu Yuanbaoshan

In October 2021, Shanghai Fu Shou Yuan entered into an agreement with an independent third party to acquire equity interest in Zhuolu Yuanbaoshan. According to the agreement, Shanghai Fu Shou Yuan shall make four separate capital injections of RMB5 million, 20 million, 8 million and 30 million in sequence based on the business development and related conditions. The Group made the first capital injection in November 2021, and completed the second one in June 2022. As at December 31, 2022, the Group has acquired 51% equity interest in Zhuolu Yuanbaoshan.

The acquisition was completed in June 2022 and has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB37,594,000. Zhuolu Yuanbaoshan is mainly engaged in burial service and was acquired as part of the Group's expansion.

34. ACQUISITION OF SUBSIDIARIES — *continued*

Acquisition of 51% equity interest in Zhuolu Yuanbaoshan — *continued*

Consideration transferred

	RMB'000
Remeasurement of investment in an associate (Note)	14,242
Cash consideration paid during the Period	20,000
Total	34,242

Note: The remeasurement of 30% equity interest in Zhuolu Yuanbaoshan at the acquisition date resulted in an investment income of RMB9,242,000.

As at December 31, 2022, the Group has fully paid the consideration to acquire Zhuolu Yuanbaoshan.

Assets acquired and liabilities recognized at the date of acquisition

	RMB'000
Property and equipment	16,498
Cemetery assets	15,860
Right-of-use assets	1,890
Trade and other receivables	21,174
Bank balances and cash	407
Salary, welfare and bonus payables	(89)
Reimbursed payables due to third parties (Note)	(57,829)
Other long-term liabilities	(238)
Lease liabilities	(2,541)
Deferred tax liabilities	(1,704)
Net liabilities acquired	(6,572)

Note: In October 2021, Shanghai Fu Shou Yuan entered into a supplementary acquisition agreement, whereby reimbursed payables due to third parties of RMB43,440,000 could be exempted if certain conditions were met in the future.

Non-controlling interests

The non-controlling interests (49%) in Zhuolu Yuanbaoshan recognized at the acquisition date was measured by the proportionate share of recognized amounts of net liabilities of Zhuolu Yuanbaoshan amounted to RMB3,220,000.

34. ACQUISITION OF SUBSIDIARIES — *continued*

Acquisition of 51% equity interest in Zhuolu Yuanbaoshan — *continued*

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	34,242
Plus: non-controlling interests	(3,220)
Less: recognized amounts of net liabilities acquired	(6,572)
Total	37,594

Goodwill arose in the acquisition of Zhuolu Yuanbaoshan because the consideration for the combination effectively included amounts in relation to the future business growth of Zhuolu Yuanbaoshan. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the above acquisition is expected to be deductible for the tax purposes.

Net cash inflow on acquisition of Zhuolu Yuanbaoshan

	RMB'000
Cash and cash equivalents balances acquired	407

Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of approximately RMB692,000 which is attributable to Zhuolu Yuanbaoshan.

Had the acquisition been completed on January 1, 2022, total Group revenue for the year would have been RMB2,171,626,000 and profit for the year would have been RMB809,999,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2022, nor is it intended to be a projection of future results.

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

35. CAPITAL RISK MANAGEMENT

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

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

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

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Financial assets		
At FVTPL	**525,993**	1,004,083
At amortised cost	**2,468,533**	1,572,839
Financial liabilities		
At amortized cost	**527,770**	556,477

36. FINANCIAL INSTRUMENTS — *continued*

b. Financial risk management objectives and policies

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

Market risk

Currency risk

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

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities as at December 31, 2022 and 2021 are as follows:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Assets		
US$	**34,542**	31,503
HK$	**21,478**	15,093
Liabilities		
HK$	**—**	65,136

36. FINANCIAL INSTRUMENTS — *continued*

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

Market risk — continued

Currency risk — continued

Sensitivity analysis

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

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

	31/12/2022	31/12/2021
	RMB'000	RMB'000
If RMB strengthens against US$	**(1,295)**	(1,181)
If RMB strengthens against HK$	**(805)**	1,877

Interest rate risk

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

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

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

36. FINANCIAL INSTRUMENTS — *continued*

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

Market risk — continued

Interest rate risk — continued

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

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Financial assets at amortised cost	**13,723**	14,869

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

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Financial liabilities at amortised cost	**2,506**	4,359
Lease liabilities	**2,502**	2,887
	5,008	7,246

Sensitivity analysis

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

If the deposit interest rate had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2022 would have been increased/decreased by approximately RMB1,909,000 (2021: RMB1,797,000).

If the lending interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2022 would have been decreased/increased by approximately RMB328,000 (2021: RMB332,000).

36. FINANCIAL INSTRUMENTS — *continued*

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

Market risk — continued

Other price risk

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

Credit risk and impairment assessment

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

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

Trade receivables arising from contracts with customers

The Group ordinarily demands its customers for full cash settlement prior to or upon the delivery of burial service. The Group may allow a credit period to its customers for sales of cremation machines, provision of landscape and garden design services, and services offered to local funeral administration authorities.

The Group has concentration of credit risk on trade receivables. At December 31, 2022, the Group's largest and five largest customers accounted for approximately 19% (2021: 24%) and 56% (2021: 59%) of the total trade receivables, respectively. In order to minimise the credit risk, before accepting any new customer asking for credit period, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken when overdue debts occur. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for customers with good credit rating and credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment amount of RMB1,238,000 is recognized during the year (2021: RMB3,821,000).

36. FINANCIAL INSTRUMENTS — *continued*

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

Credit risk and impairment assessment — continued

Other receivables

For other receivables, the Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2022 and 2021, the Group assessed the ECL for other receivables were insignificant and thus no loss allowance was recognized.

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

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

36. FINANCIAL INSTRUMENTS — *continued*

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

Credit risk and impairment assessment — continued

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

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2022 RMB'000	Gross carrying amount 2021 RMB'000
Financial assets at amortised cost					
Bank balances and cash	26	Low risk	12m ECL	**1,942,233**	1,075,606
Time deposits	25	Low risk	12m ECL	**33,467**	285,677
Restricted deposits	19	Low risk	12m ECL	**81,394**	69,379
Other receivables	23	Note 1	12m ECL	**273,564**	33,833
Trade receivables	23	Note 2	Lifetime ECL (collective assessment)	**24,816**	22,071
Trade receivables	23	Low risk	Lifetime ECL (individual)	**118,118**	90,094

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

Note 2: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customers with good credit rating and credit-impaired, 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.

2022	**Past due RMB'000**	**Not past due RMB'000**	**Total RMB'000**
Other receivables	**—**	**273,564**	**273,564**

2021	**Past due** RMB'000	**Not past due** RMB'000	**Total** RMB'000
Other receivables	—	33,833	33,833

36. FINANCIAL INSTRUMENTS — *continued*

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

Liquidity risk

In the management of liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants, if any.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from the applicable interest rates as at December 31, 2022 and 2021.

	Weighted average rate %	Repayable on demand or less than 1 year RMB'000	1 year to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2022						
Trade and other payables	—	308,288	148,674	—	456,962	456,962
Loans from non-controlling shareholders of subsidiaries						
— fixed rate	3.02	33,953	—	—	33,953	32,958
Lease liabilities	4.35	26,336	42,723	1,305	70,364	64,703
Other long-term liabilities	4.98	—	9,757	37,245	47,002	37,850
		368,577	201,154	38,550	608,281	592,473

	Weighted average rate %	Repayable on demand or less than 1 year RMB'000	1 year to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2021						
Trade and other payables	—	373,860	118,720	—	492,580	492,580
Loans from non-controlling shareholders of subsidiaries						
— fixed rate	4.36	28,370	—	—	28,370	27,184
Lease liabilities	4.35	18,027	38,170	12,154	68,351	61,416
Other long-term liabilities	4.97	—	9,308	36,285	45,593	36,713
		420,257	166,198	48,439	634,894	617,893

36. FINANCIAL INSTRUMENTS — *continued*

c. Fair value measurements of financial instruments

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

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

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key inputs**
	31/12/2022	31/12/2021		
Financial assets at FVTPL	Cash management products in PRC with principal of RMB487,883,000	Cash management products in PRC with principal of RMB665,973,000	Level 3	Discounted cash flows Key unobservable input is: (1) Expected return; (2) Risk-adjusted discount rate (Note)
Unquoted equity investments	10% equity investment in Huaxia Cemetery of RMB38,110,000	10% equity investment in 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
Unquoted equity investments	N/A	13.04% equity interests in Hainan Tongyuan of RMB300,000,000	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

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

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

36. FINANCIAL INSTRUMENTS — *continued*

c. Fair value measurements of financial instruments — *continued*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000
At January 1, 2021	1,021,037
Total gains in profit or loss	27,966
Purchase	910,621
Disposals/settlements	(955,541)
At December 31, 2021	1,004,083
Total gains in profit or loss	**30,574**
Purchase	**372,645**
Disposals/settlements	**(881,309)**
At December 31, 2022	**525,993**

Total gains for the period included in profit RMB30,574,000 relates to financial assets designated at FVTPL held at December 31, 2022 (during the same period of last year: a gain of RMB27,966,000). Fair value gains on financial assets designated at FVTPL are included in 'other income, gains and losses'.

37. CAPITAL AND OTHER COMMITMENTS

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Capital expenditure in respect of the acquisition of property and equipment and cemetery assets contracted for but not provided in the consolidated financial statements	**25,366**	59,240

38. RETIREMENT BENEFITS SCHEMES

The Group participates in the MPF Scheme. The assets of the schemes are held separately from those of the Group and are invested in funds under the control of independent trustees. For members of the MPF Scheme, the Group contributes 5%, with maximum of HK$3,000 per person of relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees. No forfeited contributions are available under the MPF Scheme.

The employees of the PRC subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC Government. The PRC subsidiaries are required to contribute 12% to 20% of the total monthly basic salaries of their current employees to the retirement benefits scheme to fund the benefits. The only obligation of the PRC subsidiaries with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB37,657,000 for the year ended December 31, 2022 (2021: RMB31,729,000), representing contributions paid and/or payable to the scheme by the Group for the year ended December 31, 2022. As at December 31, 2022, contributions of RMB1,625,000 due in respect of the year ended December 31, 2022 had not been paid over to the plans (December 31, 2021: RMB514,000). The amounts were paid subsequent to the end of the reporting period.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities (including dividend payable, borrowings, lease liabilities, other long-term liabilities, loan from the third parties and loans from non-controlling shareholders of subsidiaries) arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable	Borrowings	Lease liabilities	Other long-term liabilities	Loans from non-controlling shareholders of subsidiaries	Repayments of loan from the third parties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	–	13,860	72,973	32,992	35,919	–	155,744
Financing cash flows	(342,783)	(51,172)	(23,884)	(601)	(10,208)	(56,800)	(485,448)
New leases entered	–	–	8,854	–	–	–	8,854
Acquired on acquisition of subsidiaries	–	35,500	586	3,248	–	56,800	96,134
Interest expense	–	1,812	2,887	1,074	1,473	–	7,246
Dividends paid to non-controlling shareholders of subsidiaries	128,437	–	–	–	–	–	128,437
Dividends recognized as distributions	214,346	–	–	–	–	–	214,346
At December 31, 2021	–	–	61,416	36,713	27,184	–	125,313
At January 1, 2022	**–**	**–**	**61,416**	**36,713**	**27,184**	**–**	**125,313**
Financing cash flows	**(330,746)**	**–**	**(25,577)**	**(530)**	**(5,475)**	**–**	**(362,328)**
New leases entered	**–**	**–**	**23,821**	**–**	**–**	**–**	**23,821**
Acquired on acquisition of subsidiaries	**–**	**–**	**2,541**	**238**	**–**	**–**	**2,779**
Interest expense	**–**	**–**	**2,502**	**1,429**	**1,077**	**–**	**5,008**
Loan recognized as the consideration for the acquisition of a subsidiary	**–**	**–**	**–**	**–**	**10,172**	**–**	**10,172**
Dividends paid to non-controlling shareholders of subsidiaries	**100,587**	**–**	**–**	**–**	**–**	**–**	**100,587**
Dividends recognized as distributions	**230,159**	**–**	**–**	**–**	**–**	**–**	**230,159**
At December 31, 2022	**–**	**–**	**64,703**	**37,850**	**32,958**	**–**	**135,511**

40. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of the Directors, who are also key management, is disclosed in Note 9.

41. DETAILS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company At December 31,		Principal activities
				2022 %	2021 %	
Directly held:						
Fu Shou Yuan Group (Hong Kong) Limited 福壽園集團(香港)有限公司	Hong Kong	October 10, 2011	2 shares of HK$2.00	**100**	100	Investment holding
Indirectly held:						
Chongqing Fu Shou Yuan Group Co., Ltd.^ 重慶福壽園集團有限公司	PRC	January 18, 2011	RMB221,900,000	**100**	100	Investment holding
Shanghai Fu Shou Yuan^ 上海福壽園實業集團有限公司	PRC	February 21, 1994	RMB100,000,000	**100**	100	Provision of burial services
Henan Fu Shou Yuan^ 河南福壽園實業有限公司	PRC	July 7, 2003	RMB30,120,000	**100**	100	Provision of burial services
Chongqing Fu Shou Yuan Consultancy Company Limited ^ 重慶福壽園企業管理諮詢有限公司	PRC	August 9, 2010	RMB10,000,000	**100**	100	Investment holding
Hefei Dashushan Wenhua Lingyuan Company Limited^ ("Hefei Dashushan") 合肥大蜀山文化陵園有限公司	PRC	February 22, 2002	RMB10,000,000	**60**	60	Provision of burial services
Hefei Renben Funeral Service Company Limited^ 合肥人本禮儀服務有限公司	PRC	September 27, 2008	RMB1,200,000	**60**	60	Provision of funeral services
Hefei Huazhijian Flowers Company Limited^ 合肥花之間花卉有限公司	PRC	May 13, 2010	RMB500,000	**60**	60	Provision of flowers and related designing services
Shanghai Fushouyuan Enterprise Management Consulting Co., Ltd. ^ 上海福壽園企業管理諮詢有限公司	PRC	September 9, 2002	RMB5000,000	**100**	100	Investment holding
Chongqing Anle Services Co., Ltd.^ 重慶安樂服務有限公司	PRC	September 11, 1997	RMB1,000,000	**100**	100	Provision of funeral services
Chongqing Anle Funeral Services Co., Ltd.^ 重慶安樂殯儀服務有限公司	PRC	January 23, 2003	RMB1,000,000	**100**	100	Provision of funeral services
Shanghai Fu Shou Yuan Funeral Arrangement Services Co., Ltd.^ 上海福壽園禮儀服務有限公司	PRC	May 17, 2011	RMB500,000	**100**	100	Provision of funeral services
Jinzhou Maoshan Anling^ 錦州市帽山安陵有限責任公司	PRC	January 7, 2004	RMB8,000,000	**100**	100	Provision of burial services
Fumao Corporate Management Consultancy (Shanghai) Company Limited^ 福泖企業管理諮詢(上海)有限公司	PRC	January 27, 2011	RMB5,000,000	**100**	100	Investment holding
Chongqing Fu Shou Yuan Shareholding Investment Corporation (Limited Partnership)- 重慶福壽園股權投資企業(有限合夥)	PRC	November 10, 2010	RMB3,400,000,000	**100**	100	Investment holding
Nanchang Hongfu Humanities Memorial Co., Ltd.^ ("Nanchang Hongfu") 南昌洪福人文紀念有限責任公司	PRC	November 17, 2009	RMB140,000,000	**50.89**	50.89	Provision of burial services
Chongqing Fuyuan Corporate Management Consultancy Company Limited+ 重慶福元企業管理諮詢有限公司	PRC	January 20, 2012	USD1,000,000	**100**	100	Investment holding

41. DETAILS OF SUBSIDIARIES – *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company At December 31, 2022 %	2021 %	Principal activities
Xiamen Huaixiang Condolence Services Company Limited^ 廈門市懷祥禮儀服務有限公司	PRC	December 31, 2012	RMB5,000,000	90	90	Provision of funeral services
Fu Shou Yuan Environmental Equipment Company Limited^ 福壽園環保機械製造有限公司	PRC	November 20, 2012	RMB50,000,000	100	100	Manufacturing and sales of cremation devices
Shandong Fu Shou Yuan Development Company Limited^ 山東福壽園發展有限公司	PRC	December 29, 2001	RMB10,000,000	50	50	Provision of burial services
Ningbo Yongyi Funeral Services Company Limited^ 寧波永逸殯葬禮儀服務有限公司	PRC	January 9, 2013	RMB1,000,000	60	60	Provision of funeral services
Haigang Fu Shou Yuan^ (Note (a)) 上海南院實業發展有限公司	PRC	January 25, 2007	RMB50,000,000	40	40	Provision of burial services
Shanghai Fu Shou Yuan Environmental Protection Equipment Company Limited^ 上海福壽園環保設備有限公司	PRC	March 21, 2013	RMB10,000,000	100	100	Sales and after-sales service of cremation devices
Shanghai Senfu Fruits and Vegetables Technological Development Company Limited^ 上海森福蔬果科技發展有限公司	PRC	July 2, 2013	RMB1,600,000	100	100	Sales of agricultural products
Shanghai Fu Shou Yuan Jingguan Design Company Limited^ 上海福壽園景觀設計有限公司	PRC	January 9, 2013	RMB1,000,000	95	95	Provision of designing service
Wuhan Changle Fu Shou Yuan Funeral Services Company Limited^ 武漢長樂福壽殯儀服務有限公司	PRC	October 30, 2013	RMB1,000,000	51	51	Inactive
Chongqing Baitayuan^ 重慶白塔園殯葬開發有限公司	PRC	September 8, 1997	RMB13,405,700	100	100	Provision of burial service and funeral service
Chongqing Fuding Equity Investment Fund Partnership (Limited Partnership)- 重慶福鼎股權投資基金合夥企業(有限合夥)	PRC	March 13, 2014	RMB2,000,000,000	100	100	Investment holding
Beijing Fushouyuan Investment Co., Ltd.^ 北京福壽園投資有限公司	PRC	March 26, 2014	RMB100,000,000	60	60	Investment holding
Meilin Century Cemetery^ 南昌福壽園殯儀有限責任公司	PRC	June 8, 1999	RMB32,730,000	50.89	50.89	Provision of burial service and funeral service
Guanlingshan Cultural Cemetery^ 遼寧觀陵山藝術園林公墓有限公司	PRC	December 11, 2012	RMB118,600,000	100	90	Provision of burial service
Wuyuan Wanshoushan Cemetery ^ 婺源縣萬壽山陵園有限公司	PRC	May 7, 2013	RMB3,500,000	100	100	Provision of burial service
Anyang Tianshouyuan Cemetery^ 安陽福壽園民生服務有限公司	PRC	October 25, 2010	RMB54,500,000	80	80	Provision of burial service
Changzhou Qifengshan Cemetery^ 常州棲鳳山國際人文陵園有限公司	PRC	March 22, 2007	RMB55,000,000	80	80	Provision of burial service
Fushouyuan (Shanghai) Investment Co., Ltd.+ 福壽園(上海)投資有限公司	PRC	July 14, 2015	RMB200,000,000	100	100	Investment holding
Taian Fu Shou Yuan Funeral Arrangement Services Co., Ltd.^ 泰安福壽園禮儀服務有限公司	PRC	March 9, 2016	RMB30,000,000	100	100	Provision of funeral service
Chongqing Fu Shou Yuan Xiyuan Industrial Co., Ltd.^ ("Chongqing Xiyuan") 重慶福壽園西苑實業有限公司	PRC	March 8, 2016	RMB80,000,000	51	51	Provision of burial service and funeral service
Wuyuan County Fu Shou Funeral Co., Ltd.^ 婺源縣福壽園殯儀有限責任公司	PRC	December 17, 2015	RMB100,000	100	100	Provision of funeral service

41. DETAILS OF SUBSIDIARIES – *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company At December 31, 2022 %	2021 %	Principal activities
Zaozhuang Shanting Xingtai ^ 棗莊市福壽園殯葬服務有限公司	PRC	October 25, 2004	RMB1,500,000	100	100	Provision of burial service
Xuancheng Mashan Funeral Parlour Co., Ltd.^ 宣城市馬山殯儀館有限公司	PRC	October 20, 2016	RMB70,000,000	100	100	Provision of funeral service
Hefei Renben Funeral Company Limited^ 合肥人本殯葬服務有限公司	PRC	December 5, 2016	RMB1,200,000	100	100	Provision of funeral services
Luoyang Xianhe Cemete^ 洛陽仙鶴紀念陵園有限公司	PRC	August 31, 2015	RMB48,000,000	80	80	Provision of burial service
Yancheng Dafeng Fushouyuan Funeral and Burial Service Co., Ltd.^ 鹽城大豐福壽園殯葬服務有限公司	PRC	January 17, 2017	RMB10,000,000	100	100	Provision of funeral service
Gaoyou Fushouyuan Funeral Services Co., Ltd.^ 高郵福壽園殯葬服務有限公司	PRC	May 12, 2017	RMB10,000,000	100	100	Provision of funeral service
Huaibei Fushouyuan Memorial Mausoleum Co. Ltd.^ 淮北福壽園紀念陵有限責任公司	PRC	September 25, 2014	RMB30,000,000	100	100	Provision of burial service
Temshine^ 北京天泉佳境陵園建築設計有限公司	PRC	June 23, 2005	RMB6,150,000	100	100	Provision of designing service
Shanghai Temshine Cemetery Design Group Ltd.^ 上海天泉佳境建築設計有限公司	PRC	December 1, 2021	RMB1,000,000	100	100	Provision of designing service
Guangxi Huazuyuan Cemetery^ 廣西華祖園投資有限公司	PRC	May 8, 2013	RMB25,000,000	60	60	Provision of burial service
Changzhou Fushouyuan Etiquette Co., Ltd.^ 常州福壽園禮儀有限公司	PRC	January 7, 2013	RMB500,000	76	76	Provision of funeral service
Qinzhou Huazuyuan Investment Co., Ltd.^ 欽州華祖園投資有限公司	PRC	July 31, 2017	RMB30,000,000	60	60	Provision of burial service
Taian Fu Shou Yuan Development Co., Ltd.^ 泰安福壽園實業發展有限公司	PRC	April 29, 2016	RMB40,000,000	65	65	Provision of burial service
Ningde Huaixiang Funeral Services Co., Ltd.^ 寧德市懷祥禮儀服務有限公司	PRC	July 17, 2017	RMB3,000,000	77	77	Provision of funeral service
Huaibei Fu Shou Yuan Funeral Services Co., Ltd.^ 淮北福壽園禮儀服務有限公司	PRC	October 25, 2017	RMB1,000,000	100	100	Provision of funeral service
Lujiang Fu Shou Yuan Funeral Services Co., Ltd.^ 盧江福壽園殯葬禮儀服務有限公司	PRC	October 31, 2017	RMB1,000,000	100	100	Provision of funeral service
Chaoyang Longshan Cemetery^ 朝陽縣龍山福園公墓有限公司	PRC	January 2, 2018	RMB2,000,000	100	100	Provision of burial service
Helinge'er Anyou Cemetery^ 內蒙古福壽園實業有限公司	PRC	November 13, 2007	RMB10,000,000	100	100	Provision of burial service
Guizhou Tianyuanshan^ 正安縣福壽園實業有限公司	PRC	March 27, 2017	RMB40,000,000	80	80	Provision of burial service and funeral service
Xuancheng Mashan Scenic Service Co., Ltd.^ 宣城馬山風景陵園有限公司	PRC	January 5, 2018	RMB40,000,000	100	100	Provision of burial service
Hangzhou Xiaoshan Funeral Service Center Co., Ltd.^ 杭州蕭山殯儀服務中心有限公司	PRC	April 3, 2018	RMB8,000,000	55	55	Provision of funeral service
Fushoujia (Shanghai) Industrial Development Co., Ltd.^ 福壽家(上海)實業發展有限公司	PRC	August 7, 2017	RMB30,000,000	100	100	Provision of funeral service
Ningbo Fenghua Fushouyuan Funeral Service Co., Ltd.^ 寧波奉化福壽園殯葬禮儀服務有限公司	PRC	June 11, 2018	RMB1,000,000	60	60	Provision of funeral service

41. DETAILS OF SUBSIDIARIES – *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company At December 31,		Principal activities
				2022 %	2021 %	
Changzhou Jintan Fushouyuan Funeral Service Co., Ltd.^ 常州金壇福壽園禮儀服務有限公司	PRC	October 25, 2018	RMB1,000,000	80	80	Provision of funeral service
Yanshan County Fushouyuan Funeral Service Co., Ltd.^ 鉛山縣福壽園禮儀服務有限公司	PRC	August 23, 2018	RMB25,000,000	100	100	Provision of funeral service
Ganzhou Ronglong Humanities Memorial Park Management Co., Ltd.^ 贛州蓉龍人文紀念園管理有限公司	PRC	November 29, 2018	RMB10,000,000	80	80	Provision of burial service
Hubei Tiansheng Cemetery^ 湖北天聖公墓有限公司	PRC	December 24, 2012	RMB20,000,000	80	80	Provision of burial service
Shandong Anzun Life Culture Service Co., Ltd.^ ("Shandong Anzun") (Note (b)) 山東安尊生命文化服務有限公司	PRC	January 28, 2019	RMB60,000,000	49	49	Provision of burial service
Fuyang Fushouyuan Funeral Service Co., Ltd.^ 阜陽福壽園殯葬服務有限公司	PRC	July 23, 2018	RMB5,500,000	100	100	Provision of funeral service
Linquan Heheyuan Funeral Home Co.,Ltd.^ 臨泉駕鶴園殯儀館有限公司	PRC	June 24, 2019	RMB50,000,000	100	100	Provision of funeral service
Shucheng Fushouyuan Funeral Etiquette Service Co., Ltd.^ 舒城福壽園殯葬禮儀服務有限公司	PRC	November 11, 2019	RMB1,000,000	100	100	Provision of funeral service
Zaozhuang Fushouyuan Etiquette Service Co., Ltd.^ 棗莊市福壽園禮儀服務有限公司	PRC	December 12, 2019	RMB10,000,000	100	100	Provision of funeral service
Harbin Mingxiyuan Cemetery^ 哈爾濱明西園公墓有限責任公司	PRC	September 29, 2000	RMB10,000,000	100	100	Provision of burial service
Jinsha Fuze^ 金沙福壽園實業有限責任公司	PRC	January 6, 2011	RMB74,000,000	80	80	Provision of funeral service
Shanghai Fushouyun Life Information Technology Co., Ltd.^ 上海福壽雲生命信息科技有限公司	PRC	November 19, 2012	RMB10,000,000	100	100	Provision of funeral service
Gansu Hailinjinggang Industrial Co., Ltd.^ 甘肅海林幛港實業有限公司	PRC	July 2, 2009	RMB70,000,000	95	95	Provision of burial service
Changfeng Etiquette Service Co., Ltd.^ 長豐福壽園殯葬禮儀服務有限公司	PRC	January 1, 2020	RMB300,000	100	100	Provision of funeral service
Ruichang Etiquette Service Co., Ltd.^ 瑞昌市福壽園殯葬服務有限公司	PRC	September 30, 2020	RMB1,000,000	100	100	Provision of funeral service
Shanghai Shengsheng Culture Communication Co., Ltd.^ 上海聖生文化傳播有限公司	PRC	March 24, 2014	RMB1,000,000	100	100	Provision of funeral service
Binzhou Fu Shou Yuan Industrial Co., Ltd.^ 濱州福壽園實業有限公司	PRC	November 12, 2020	RMB1,500,000	100	100	Provision of burial service
Chaohu County Fu Shou Yuan Funeral Service Co., Ltd.^ 巢湖福壽園殯葬禮儀服務有限公司	PRC	November 27, 2020	RMB500,000	100	100	Provision of funeral service
Dalian Fu Shou Yuan Industrial Co., Ltd. ^ 大連福壽園實業有限公司	PRC	December 1, 2020	RMB30,000,000	90	90	Provision of burial service
Fu Shou Garden (Zhanjiang) Humanities Memorial Company Limited.^ 福壽園(湛江)人文紀念有限公司	PRC	May 15, 2020	RMB10,000,000	100	100	Provision of burial service
Hefei Ruining Shoufu Funeral Service Co., Ltd.^ 合肥瑞寧壽福殯儀服務有限公司	PRC	June 9, 2020	RMB1,000,000	100	100	Provision of funeral service
Guangxi Fu Shou Yuan Industrial Co., Ltd.^ 廣西福壽園實業投資有限公司	PRC	June 15, 2021	RMB10,000,000	100	100	Provision of burial service
Dalian Fu Shou Yuan Investment Co., Ltd.^ 大連福壽園投資有限公司	PRC	June 4, 2021	USD30,000,000	100	100	Investment holding

41. DETAILS OF SUBSIDIARIES — *continued*

Name of subsidiaries#	Place of incorporation/ registration and operations	Date of incorporation/ establishment	Issued and fully paid share/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company At December 31,		Principal activities
				2022 %	2021 %	
Yunnan Fu Shou Yuan Funeral Service Co., Ltd.^ 雲南福壽園殯葬服務有限公司	PRC	October 13, 2021	RMB1,000,000	**100**	100	Provision of funeral service
Heze Fuluyuan ^ 菏澤福祿源公墓管理有限公司	PRC	January 31, 2013	RMB50,000,000	**90**	90	Provision of burial service
Zhengzhou Anletang^ 鄭州安樂堂禮儀服務有限公司	PRC	April 26, 2019	RMB2,000,000	**100**	100	Provision of funeral service
Anhui Longmen^ 安徽龍門文化陵園有限公司	PRC	January 15, 2015	RMB21,000,000	**100**	100	Provision of burial service
Zhuolu Yuanbaoshan °^ 涿鹿隆暉天富元寶山開發管理有限公司	PRC	November 11, 2015	RMB6,122,000	**51**	30	Provision of burial service

\# The English names of all subsidiaries established in the PRC are translated for identification purpose only.

* The entity was set up during the year ended December 31, 2022.

^ These entities are established in the PRC in the form of domestic limited liability company.

\+ These entities are established in the PRC in the form of wholly foreign-owned enterprise.

\- The entity is established in the PRC in the form of limited liability partnership.

° The entity was acquired during the year ended December 31, 2022.

Notes:

(a) Haigang Fu Shou Yuan was an associate of the Group prior to January 4, 2013. On January 4, 2013, the Group has been assigned irrevocable rights unconditionally and without conditions to direct the relevant activities of Haigang Fu Shou Yuan unilaterally. As such, Haigang Fu Shou Yuan is accounted for as a subsidiary of the Group from January 4, 2013.

(b) The Group has been assigned irrevocable rights unconditionally and without conditions to direct the relevant activities of Shandong Anzun unilaterally. As such, Shandong Anzun is accounted for as a subsidiary of the Group.

None of the subsidiaries had issued any debt securities at the end of the year.

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Hefei Dashushan	PRC	**40**	40	**21,495**	31,631	**88,933**	67,438
Nanchang Hongfu	PRC	**49.11**	49.11	**6,227**	15,866	**111,067**	113,749
Haigang Fu Shou Yuan	PRC	**60**	60	**83,656**	83,573	**110,266**	97,560
Guanlingshan Cultural Cemetery	PRC	**–**	10	**–**	3,245	**–**	39,000
Chongqing Xiyuan	PRC	**49**	49	**1,876**	2,138	**42,486**	41,590
Shandong Fu Shou Yuan Development	PRC	**50**	50	**20,711**	11,379	**87,446**	66,735
Changzhou Qifengshan	PRC	**20**	20	**8,942**	10,005	**36,819**	37,364
Individually immaterial subsidiaries with non-controlling interests				**9,226**	11,774	**161,229**	165,444
Total				**152,133**	169,611	**638,246**	628,880

Summarized financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — *continued*

Hefei Dashushan

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**275,751**	235,212
Non-current assets	**8,963**	10,232
Current liabilities	**21,167**	38,039
Non-current liabilities	**41,214**	38,810
Equity attributable to owners of the Company	**133,400**	101,157
Non-controlling interests	**88,933**	67,438

	2022 RMB'000	2021 RMB'000
Revenue	**94,689**	139,322
Expenses	**(40,951)**	(60,244)
Profit and total comprehensive income attributable to owners of the Company	**32,243**	47,447
Profit and total comprehensive income attributable to non-controlling interests	**21,495**	31,631
Profit and total comprehensive income for the year	**53,738**	79,078
Net cash inflow from operating activities	**43,782**	88,087
Net cash inflow (outflow) from investing activities	**2,967**	(1,056)
Net cash inflow	**46,749**	87,031

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — *continued*

Nanchang Hongfu

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**110,204**	136,734
Non-current assets	**173,322**	174,084
Current liabilities	**35,215**	58,760
Non-current liabilities	**22,153**	20,438
Equity attributable to owners of the Company	**115,091**	117,871
Non-controlling interests	**111,067**	113,749

	2022 RMB'000	2021 RMB'000
Revenue	**48,179**	72,476
Expenses	**(35,499)**	(40,170)
Profit and total comprehensive income attributable to owners of the Company	**6,453**	16,440
Profit and total comprehensive income attributable to non-controlling interests	**6,227**	15,866
Profit and total comprehensive income for the year	**12,680**	32,306
Dividend paid to non-controlling interests	**8,909**	–
Net cash (outflow) inflow from operating activities	**(25,572)**	31,345
Net cash outflow from investing activities	**(106)**	(5,270)
Net cash inflow (outflow) from financing activities	**18,142**	(10,120)
Net cash (outflow) inflow	**(7,536)**	15,955

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — *continued*

Haigang Fu Shou Yuan

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**183,068**	161,721
Non-current assets	**72,441**	71,479
Current liabilities	**47,247**	49,218
Non-current liabilities	**24,485**	21,382
Equity attributable to owners of the Company	**73,511**	65,040
Non-controlling interests	**110,266**	97,560

	2022 RMB'000	2021 RMB'000
Revenue	**231,238**	228,778
Expenses	**(91,811)**	(89,489)
Profit and total comprehensive income attributable to owners of the Company	**55,771**	55,716
Profit and total comprehensive income attributable to non-controlling interests	**83,656**	83,573
Profit and total comprehensive income for the year	**139,427**	139,289
Dividends paid to non-controlling interests	**70,950**	112,890
Net cash inflow from operating activities	**135,868**	143,346
Net cash inflow (outflow) from investing activities	**411**	(1,210)
Net cash outflow from financing activities	**(118,250)**	(188,150)
Net cash inflow (outflow)	**18,029**	(46,014)

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — *continued*

Chongqing Xiyuan

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**15,013**	19,243
Non-current assets	**127,613**	130,386
Current liabilities	**51,451**	60,847
Non-current liabilities	**4,470**	3,905
Equity attributable to owners of the Company	**44,219**	43,287
Non-controlling interests	**42,486**	41,590

	2022 RMB'000	2021 RMB'000
Revenue	**28,307**	29,780
Expenses	**(24,479)**	(25,417)
Profit and total comprehensive income attributable to owners of the Company	**1,952**	2,225
Profit and total comprehensive income attributable to non-controlling interests	**1,876**	2,138
Profit and total comprehensive income for the year	**3,828**	4,363
Dividend paid to non-controlling interests	**980**	–
Net cash inflow from operating activities	**7,579**	7,596
Net cash outflow from investing activities	**(21)**	(223)
Net cash outflow from financing activities	**(13,165)**	(4,785)
Net cash (outflow) inflow	**(5,607)**	2,588

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — *continued*

Shandong Fu Shou Yuan Development

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**115,433**	72,493
Non-current assets	**122,855**	122,032
Current liabilities	**38,161**	38,436
Non-current liabilities	**25,235**	22,619
Equity attributable to owners of the Company	**87,446**	66,735
Non-controlling interests	**87,446**	66,735

	2022 RMB'000	2021 RMB'000
Revenue	**98,629**	71,242
Expenses	**(57,207)**	(48,484)
Profit and total comprehensive income attributable to owners of the Company	**20,711**	11,379
Profit and total comprehensive income attributable to non-controlling interests	**20,711**	11,379
Profit and total comprehensive income for the year	**41,422**	22,758
Net cash inflow from operating activities	**33,061**	26,414
Net cash outflow from investing activities	**(1,958)**	(96)
Net cash outflow from financing activities	**—**	(12,379)
Net cash inflow	**31,103**	13,939

42. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — *continued*

Changzhou Qifengshan

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**162,661**	158,864
Non-current assets	**83,661**	87,492
Current liabilities	**28,471**	31,075
Non-current liabilities	**33,752**	28,459
Equity attributable to owners of the Company	**147,280**	149,458
Non-controlling interests	**36,819**	37,364

	2022 RMB'000	2021 RMB'000
Revenue	**86,729**	96,151
Expenses	**(42,020)**	(46,134)
Profit and total comprehensive income attributable to owners of the Company	**35,767**	40,012
Profit and total comprehensive income attributable to non-controlling interests	**8,942**	10,005
Profit and total comprehensive income for the year	**44,709**	50,017
Dividends paid to non-controlling interests	**9,487**	6,515
Net cash (outflow) inflow from operating activities	**(43,308)**	63,776
Net cash (outflow) inflow from investing activities	**(3,058)**	1,827
Net cash inflow (outflow) from financing activities	**47,437**	(32,421)
Net cash inflow	**1,071**	33,182

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

The statement of financial position of the Company as at December 31, 2022 and 2021 are as follows:

	31/12/2022 RMB'000	31/12/2021 RMB'000
Non-current Asset		
Interest in subsidiaries	1	1
	1	1
Current assets		
Trade and other receivables	–	40
Amounts due from subsidiaries	796,637	1,770,907
Bank balances and cash	18,372	16,800
	815,009	1,787,747
Current liabilities		
Trade and other payables	196	312
Amounts due to subsidiaries	72,368	815,085
	72,564	815,397
Net current assets	742,445	972,350
Total assets less current Liabilities	742,446	972,351
Capital and reserves		
Share capital	142,148	142,179
Reserves (Note)	600,298	830,172
Total equity	742,446	972,351

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — *continued*

Note:

	Treasury shares RMB'000	Share premium* RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2021	(187,711)	1,422,309	79,667	9,110	(243,186)	1,080,189
Loss and total comprehensive expense for the year	–	–	–	–	(4,874)	(4,874)
Dividends recognized as distributions	–	(214,346)	–	–	–	(214,346)
Shares purchased by trustee under the restricted share incentive scheme	(71,958)	–	–	–	–	(71,958)
Exercise of stock options	–	50,271	–	(9,110)	–	41,161
At December 31, 2021	(259,669)	1,258,234	79,667	–	(248,060)	830,172
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(2,667)**	**(2,667)**
Dividends recognized as distributions	**–**	**(230,159)**	**–**	**–**	**–**	**(230,159)**
Shares purchased by trustee under the restricted share incentive scheme	**4,840**	**–**	**–**	**–**	**–**	**4,840**
Repurchase and cancellation of shares	**–**	**(1,888)**	**–**	**–**	**–**	**(1,888)**
At December 31, 2022	**(254,829)**	**1,026,187**	**79,667**	**–**	**(250,727)**	**600,298**

* Pursuant to section 34 of the Companies Law of Cayman Islands (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency on the Company and the provision of the Articles of Association of the Company.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	1,651,299	1,850,574	1,892,537	2,325,848	**2,171,626**
Operating expenditures					
Staff costs	(401,192)	(416,125)	(385,805)	(469,616)	**(463,624)**
Construction costs	(70,137)	(72,897)	(76,495)	(167,358)	**(123,266)**
Consumed materials and goods	(117,113)	(141,477)	(149,109)	(177,538)	**(162,065)**
Outsourced service costs	(55,002)	(54,418)	(52,906)	(53,122)	**(55,417)**
Marketing and sales channel costs	(43,876)	(38,671)	(36,072)	(43,986)	**(43,155)**
Depreciation and amortisation	(92,730)	(123,170)	(136,713)	(146,734)	**(155,953)**
Other general operating expenditures	(137,717)	(139,039)	(133,406)	(197,643)	**(153,616)**
Inventory changes	(10,638)	4,564	5,872	28,448	**17,035**
Impairment losses under expected credit loss model ("ECL"), net of reversal	—	—	—	(3,821)	**(1,238)**
Profit from operations	722,894	869,341	927,903	1,094,478	**1,030,327**
Other income, gains and losses	60,172	88,632	61,707	103,580	**74,293**
Share of (loss) profit of joint ventures	—	(176)	4	(11,577)	**(7,407)**
Finance costs	(8,293)	(11,128)	(9,525)	(7,246)	**(5,008)**
Profit before taxation	774,773	946,669	980,089	1,179,235	**1,092,205**
Income tax expense	(159,140)	(211,350)	(222,784)	(289,591)	**(281,476)**
Profit and total comprehensive income for the year	615,633	735,319	757,305	889,644	**810,729**
Profit and total comprehensive income for the year attributable to:					
Owners of the Company	488,364	578,579	620,064	720,033	**658,596**
Non-controlling interests	127,269	156,740	137,241	169,611	**152,133**
	615,633	735,319	757,305	889,644	**810,729**
	RMB cents	RMB cents	RMB cents	RMB cents	**RMB cents**
Earnings per share					
— Basic	22.2	25.9	27.4	31.6	**29.0**
— Diluted	21.9	25.7	27.3	31.6	**29.0**

FINANCIAL SUMMARY

	As at 31 December				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and liabilities					
Total assets	5,237,704	5,985,620	6,678,175	7,405,450	**7,815,891**
Total liabilities	(1,186,821)	(1,400,407)	(1,536,089)	(1,733,130)	**(1,701,887)**
	4,050,883	4,585,213	5,142,086	5,672,320	**6,114,004**
Equity attributable to owners of the Company	3,512,431	4,043,070	4,567,881	5,043,440	**5,475,758**
Non-controlling interests	538,452	542,143	574,205	628,880	**638,246**
	4,050,883	4,585,213	5,142,086	5,672,320	**6,114,004**

DEFINITIONS AND GLOSSARY

"AGM"	the annual general meeting of the Company to be held on May 25, 2023
"Alliance Rise"	Alliance Rise Limited, a limited liability company incorporated in Hongkong on May 8, 2015, one of the Company's Shareholders and a direct wholly-owned subsidiary of Zhongfu
"Anhui Longmen Cemetery"	a cemetery in Suzhou of Anhui Province and operated by Anhui Longmen Cultural Cemetery Co., Ltd.* (安徽龍門文化陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Annual Report"	this annual report dated March 17, 2023 of the Company
"Anyang Tianshouyuan Cemetery"	a cemetery in Anyang of Henan Province and operated by Anyang Fu Shou Yuan Civil Service Co., Ltd.* (安陽福壽園民生服務有限公司), formerly known as Anyang Wulong Civil Service Co., Ltd* (安陽縣五龍民生服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on December 3, 2013 (as amended, supplemented or otherwise modified from time to time)
"ASP"	Average unit selling price
"Audit Committee"	the audit committee of the Company
"Auxiliary services"	auxiliary services includes provision of landscape and garden design services and production and sales of cremation machine and the related maintenance service
"Board" or "Board of Directors"	the board of Directors
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Changchun Huaxia Cemetery"	a cemetery in Changchun City of Jilin Province and operated by Changchun Huaxia Cemetery Co., Ltd.* (長春華夏陵園有限公司), a limited company established under the laws of the PRC
"Changzhou Qifengshan Cemetery"	a cemetery in Changzhou City of Jiangsu Province and operated by Changzhou Qifengshan International Cemetery Co., Ltd.* (常州棲鳳山國際人文陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company

DEFINITIONS AND GLOSSARY

"Chaoyang Longshan Cemetery"	a cemetery in Chaoyang County of Liaoning Province and operated by Chaoyang Longshan Fuyuan Cemetery Co., Ltd.* (朝陽縣龍山福園公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this Annual Report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chongqing Anle Funeral Services"	Chongqing Anle Funeral Services Co., Ltd.* (重慶安樂殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Chongqing Anle Services"	Chongqing Anle Services Co., Ltd.* (重慶安樂服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Chongqing Baitayuan"	a cemetery in Yongchuan of Chongqing Municipality and operated by Chongqing Baitayuan Funeral and Burial Development Co., Ltd.* (重慶白塔園殯葬開發有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Chongqing FSY Group"	Chongqing Fu Shou Yuan Group Co., Ltd.* (重慶福壽園集團有限公司), formerly known as Chongqing Fu Shou Yuan Industrial Co., Ltd.* (重慶福壽園實業有限公司), a company established in the PRC on January 18, 2011. It is an indirect wholly-owned subsidiary of the Company
"Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
"Company", "our Company", "Fu Shou Yuan"	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on January 5, 2012
"Compliance Committee"	the compliance committee of the Company
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EIT Law"	the Law of the PRC on Enterprise Income Tax
"FSG Holding"	FSG Holding Corporation, a company incorporated in BVI on December 6, 2011 and one of the Company's Shareholders

"FSY Hong Kong"	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in HK on October 10, 2011. It is a direct held subsidiary of the Company
"Global Offering"	the offering by the Company of its Shares for subscription by the public in Hong Kong and placing with professional and institutional investors outside the United States in December 2013
"Grand Fire"	Grand Fire Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Lu Hesheng (陸鶴生), the non-executive Director
"Group", "our Group", "us", "we" or "Fu Shou Yuan Group"	the Company and its subsidiaries
"Guangxi Huazuyuan Cemetery"	a cemetery in Fangchenggang City of Guangxi Zhuang Autonomous Region and operated by Guangxi Huazuyuan Investment Co., Ltd.* (廣西華祖園投資有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2017
"Guanlingshan Cultural Cemetery"	a cemetery in Tieling City of Liaoning Province and operated by Liaoning Guanlingshan Cultural Landscape Cemetery Co., Ltd.* (遼寧觀陵山藝術園林公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Guizhou Tianyuanshan"	Zheng'an Fu Shou Yuan Industrial Co., Ltd.* (正安縣福壽園實業有限公司), formerly known as Guizhou Tianyuanshan Funeral Service Co., Ltd.* (貴州天圓山殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Haigang Fu Shou Yuan"	a cemetery in Pudong New District of Shanghai (上海浦東新區) and operated by Shanghai Nanyuan Industrial Development Co. Ltd.* (上海南院實業發展有限公司), a company established in the PRC and a subsidiary of the Company
"Hefei Dashushan Co." or "Hefei Dashushan"	Hefei Dashushan Wenhua Lingyuan Co., Ltd.* (合肥大蜀山文化陵園有限公司), a company established in the PRC on February 22, 2002, owned as to 40% by Chongqing FSY Group, 40% by Hefei Shushan Martyr Cemetery Management Department* (合肥蜀山烈士陵園管理處), and 20% by Shanghai Fu Shou Yuan. It is an indirect non wholly-owned subsidiary of the Company
"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

DEFINITIONS AND GLOSSARY

"Helinge'er Anyou Cemetery"	a cemetery in Hohhot City of the Inner Mongolia Autonomous Region and operated by Inner Mongolia Fu Shou Yuan Industrial Co., Ltd.* (內蒙古福壽園實業有限公司), formerly known as Helingeer County Anyou Ecological Memorial Cemetery Co., Ltd.* (和林格爾縣安佑生態紀念陵園有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Henan Fu Shou Yuan"	a cemetery in Longhu Town, Xinzheng city of Henan Province (河南省新鄭市龍湖鎮) and operated by Henan Fu Shou Yuan Industrial Co., Ltd.* (河南福壽園實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Heze Fuluyuan"	a cemetery in Heze City of Shandong Province and operated by HezeFuluyuan Cemetery Management Co., Ltd.* (菏澤福祿園公墓管理有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"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$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hubei Tianxian Cemetery"	a cemetery in Wuhan of Hubei Province, a limited company established under the laws of the PRC and became a subsidiary of the Company since January 2019
"Jinsha Fuze"	Jinsha Fuze Binzang Co., Ltd.* (金沙縣福澤殯葬有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Jinzhou Maoshan Anling"	a cemetery in Jinzhou City of Liaoning Province and operated by Jinzhou City Maoshan Anling Co., Ltd.* (錦州市帽山安陵有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Last Year"	the year ended December 31, 2021

DEFINITIONS AND GLOSSARY

"Linxin"	Shanghai Linxin Asset Management Co., Ltd.* (上海臨信資產管理有限公司), a company established in the PRC with limited liability and a private investment fund manager approved by the Assets Management Association of China* (中國證券投資基金業協會)
"Listing"	listing of the Shares on the Stock Exchange
"Listing Date"	December 19, 2013, the date on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Luoyang Xianhe Cemetery"	A cemetery in Luoyang City of Henan Province and operated by Luoyang Xianhe Memorial Cemetery Co., Ltd.* (洛陽仙鶴紀念陵園有限公司), a limited company established under the PRC and a subsidiary of the Company since January 2017
"Meilin Century Cemetery"	a cemetery in Nanchang City of Jiangxi Province acquired and operated by Nanchang Hongfu
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Nanchang Hongfu"	Nanchang Hongfu Humanities Memorial Co., Ltd.* (南昌洪福人文紀念有限責任公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"NGO 1"	Shanghai Zhongmin Elderly Affairs Development Service Centre* (上海中民老齡事業開發服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on facility developments, and one of the Company's indirect Shareholders
"NGO 2"	Shanghai Zhongmin Elderly Affairs Consultancy Service Centre* (上海中民老齡事業諮詢服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Qingpu Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on advisory services, and one of the Company's indirect Shareholders
"Nomination Committee"	the nomination committee of the Company

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 (王計生), the executive Director
"Perfect Score"	Perfect Score Group Limited, a limited liability company incorporated in BVI on June 18, 2015, one of the Company's Shareholders and a direct wholly-owned subsidiary of Alliance Rise
"Prospectus"	the prospectus of the Company dated December 9, 2013
"Remuneration Committee"	the remuneration committee of the Company
"Restricted Share Incentive Scheme"	the restricted share incentive scheme adopted by the Company with effect from November 29, 2019
"Restricted Shares"	any Share(s) that may be offered by the Company to any selected participant pursuant to the Restricted Share Incentive Scheme
"RMB"	Renminbi yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"Shandong Fu Shou Yuan"	Shandong Fu Shou Yuan Development Co., Ltd.* (山東福壽園發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Shanghai Fu Shou Yuan"	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Group Co., Ltd.* (上海福壽園實業集團有限公司), formerly known as Shanghai FSY Industry Development Co., Ltd.* (上海福壽園實業發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Shanghai Zhongfu"	Shanghai Zhongfu International Trade Co., Ltd.* (上海眾福國際貿易有限公司), a company established in the PRC. It was a wholly-owned subsidiary of Zhongfu
"Share(s)"	ordinary share(s) with a nominal value of US$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on December 3, 2013
"Shareholder(s)"	holder(s) of the Share(s)
"sq.m."	square meters

DEFINITIONS AND GLOSSARY

"Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs (as amended, supplemented or otherwise modified from time to time)
"Temshine"	Beijing Temshine Cemetery Design Group Ltd.* (北京天泉佳境陵園建築設計有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since August 2017
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollar"	United Stated dollars, the lawful currency of the United States
"Wish and Catch"	Wish and Catch Limited, a limited liability company incorporated in BVI on June 28, 2013, wholly-owned by Mr. Bai Xiaojiang (白曉江), the chairman and one of the executive Directors of the Company
"Wuyuan Wanshoushan Cemetery"	a cemetery in Wuyuan of Jiangxi Province and operated by Wuyuan Wanshoushan Lingyuan Co., Ltd.* (婺源縣萬壽山陵園有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Xiyuan Fu Shou Yuan"	Chongqing Fu Shou Yuan Xiyuan Industrial Co., Ltd.* (重慶福壽園西苑實業有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Year"	year ended December 31, 2022
"Yongying"	Yongying Asset Management Co., Ltd.* (永贏資產管理有限公司), a company established in the PRC with limited liability and a private investment fund manager approved by the Assets Management Association of China* (中國證券投資基金業協會), the investment made by Yongying in the Limited Partnership for and on behalf of Yongying Asset — Yonghui Phase II special Asset Management Plan (永贏資產 — 甬匯二期專項資產管理計劃)
"Zaozhuang Shanting Xingtai"	Zaozhuang Fu Shou Yuan Funeral and Burial Service Co., Ltd.* (棗莊市福壽園殯葬服務有限公司), formerly known as Zaozhuang Shanting Xingtai Funeral Service Co., Ltd.* (棗莊市山亭興泰殯儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since November 2016

DEFINITIONS AND GLOSSARY

"Zhengzhou Anletang"	Zhengzhou Anletang Etiquette service Co., Ltd.* (鄭州安樂堂禮儀服務有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"Zhuolu Yuanbaoshan"	a cemetery in Zhangjiakou city of Hebei Province and operated by Zhuolu Longhui Tianfu Yuanbaoshan Development Management Co. Ltd* (涿鹿隆暉天富元寶山開發管理有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
"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.