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

**福壽園國際集團有限公司**

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

**(Stock Code: 1448)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024**

#### **2024 INTERIM RESULTS HIGHLIGHTS**

- Total revenue for the six months ended June 30, 2024 amounted to approximately RMB1,100.0 million, representing a decrease of approximately 27.8% when compared to that of the six months ended June 30, 2023.
- Profit and total comprehensive income attributable to owners of the Company for the six months ended June 30, 2024 amounted to approximately RMB298.8 million, representing a decrease of approximately 35.7% when compared to that of the six months ended June 30, 2023.
- Basic earnings per Share for the six months ended June 30, 2024 amounted to approximately RMB13.2 cents, representing a decrease of approximately 35.6% when compared to that of the six months ended June 30, 2023.
- The Board has declared an interim dividend of HK6.38 cents per Share for the six months ended June 30, 2024.

The Board of Directors of Fu Shou Yuan International Group Limited is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2024 together with the comparative figures for the same period of last year as set out below.

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

*FOR THE SIX MONTHS ENDED JUNE 30, 2024*

		For the six months ended June 30,	
	<i>NOTES</i>	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Revenue	4	1,099,991	1,524,542
Operating expenditures			
Staff costs		(255,647)	(275,063)
Construction costs		(38,705)	(55,073)
Consumed materials and goods		(77,241)	(110,036)
Outsourced service costs		(26,264)	(33,588)
Marketing and sales channel costs		(20,381)	(24,943)
Depreciation and amortisation		(89,570)	(80,886)
Other general operating expenditures		(74,810)	(84,208)
Inventory changes		9,187	4,006
Impairment losses under expected credit loss model, net of reversal		(14,323)	(19,593)
Profit from operations		512,237	845,158
Other income, gains and losses		37,274	38,741
Share of profit (loss) of a joint venture		2,339	(15,819)
Finance costs		(9,113)	(2,594)
Profit before taxation	5	542,737	865,486
Income tax expense	6	(179,602)	(280,006)
Profit and total comprehensive income for the period		<u>363,135</u>	<u>585,480</u>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		298,801	464,723
Non-controlling interests		64,334	120,757
		<u>363,135</u>	<u>585,480</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share			
— Basic	7	<u>13.2</u>	<u>20.5</u>
— Diluted	7	<u>13.2</u>	<u>20.5</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2024**

		<b>June 30,</b> <b>2024</b>	December 31, <b>2023</b>
	<i>NOTES</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property and equipment	8	<b>538,274</b>	556,232
Right-of-use assets		<b>108,026</b>	103,568
Investment property		<b>6,509</b>	6,509
Intangible assets		<b>306,381</b>	309,774
Goodwill	9	<b>1,091,455</b>	1,129,049
Deposits paid for acquisition of leasehold land as cemetery assets		<b>21,963</b>	21,963
Cemetery assets	10	<b>2,031,204</b>	2,074,652
Investment in an associate		<b>3,000</b>	3,000
Investment in a joint venture		<b>44,523</b>	42,184
Restricted deposits		<b>92,615</b>	89,424
Time deposits	15	<b>204,633</b>	200,000
Deferred tax assets	18	<b>99,594</b>	92,871
Other long-term assets		<b>12,772</b>	5,000
		<b>4,560,949</b>	4,634,226
<b>Current assets</b>			
Inventories	11	<b>566,307</b>	557,991
Trade and other receivables	12	<b>170,507</b>	222,383
Financial assets at fair value through profit or loss	14	<b>890,582</b>	776,501
Time deposits	15	<b>267,255</b>	167,746
Bank balances and cash	13	<b>2,247,155</b>	2,295,467
Contract assets		<b>14,672</b>	13,473
		<b>4,156,478</b>	4,033,561
Assets classified as held for sale		<b>91,401</b>	—
		<b>4,247,879</b>	4,033,561

		<b>June 30, 2024</b>	December 31, 2023
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current liabilities</b>			
Trade and other payables	16	<b>547,343</b>	658,344
Lease liabilities		<b>22,844</b>	23,156
Contract liabilities	17	<b>113,823</b>	105,808
Loans from non-controlling shareholders of subsidiaries		<b>29,863</b>	29,438
Dividends payable		<b>1,119</b>	36,000
Income tax liabilities		<b>185,792</b>	205,440
Borrowings		<b>200,000</b>	200,000
		<b><u>1,100,784</u></b>	<u>1,258,186</u>
Liabilities associated with assets classified as held for sale		<b><u>47,502</u></b>	<u>—</u>
		<b><u>1,148,286</u></b>	<u>1,258,186</u>
<b>Net current assets</b>		<b><u>3,099,593</u></b>	<u>2,775,375</u>
<b>Total assets less current liabilities</b>		<b><u>7,660,542</u></b>	<u>7,409,601</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>31,686</b>	29,215
Contract liabilities	17	<b>515,769</b>	494,434
Deferred tax liabilities	18	<b>238,193</b>	216,137
Other long-term liabilities		<b>95,709</b>	95,951
		<b><u>881,357</u></b>	<u>835,737</u>
<b>Net assets</b>		<b><u><u>6,779,185</u></u></b>	<u><u>6,573,864</u></u>

	<b>June 30, 2024</b>	December 31, 2023
<i>NOTES</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Capital and reserves</b>		
Share capital	<b>142,148</b>	142,148
Reserves	<b>5,927,717</b>	5,777,907
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Equity attributable to owners of the Company	<b>6,069,865</b>	5,920,055
Non-controlling interests	<b>709,320</b>	653,809
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<b>Total equity</b>	<b>6,779,185</b>	6,573,864
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

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

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Revenue recognition

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

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

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

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

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

#### 4. SEGMENT INFORMATION

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

	<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Burial services	<b>906,082</b>	1,287,173
Funeral services	<b>184,083</b>	224,004
Other services	<b>15,059</b>	20,386
Inter-segments elimination	<b>(5,233)</b>	(7,021)
	<b>1,099,991</b>	1,524,542

#### **Geographical information:**

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

	<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Shanghai	<b>526,143</b>	734,283
Anhui	<b>87,739</b>	102,077
Liaoning	<b>69,766</b>	112,771
Henan	<b>68,805</b>	94,380
Jiangsu	<b>52,524</b>	76,644
Jiangxi	<b>46,154</b>	63,617
Shandong	<b>44,558</b>	74,407
Heilongjiang	<b>42,568</b>	54,002
Chongqing	<b>37,787</b>	57,096
Fujian	<b>30,686</b>	36,517
Zhejiang	<b>25,354</b>	33,100
Guizhou	<b>23,604</b>	33,546
Gansu	<b>13,821</b>	15,913
Inner Mongolia	<b>9,332</b>	10,041
Guangxi	<b>8,980</b>	11,731
Shaanxi	<b>1,530</b>	75
Hubei	<b>814</b>	977
	<b>1,090,165</b>	1,511,177

## 5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs, including remuneration of the Directors		
Salaries, wages, bonus and other benefits	238,414	258,733
Retirement benefits scheme contributions	17,233	16,330
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Total staff costs	255,647	275,063
	<hr/>	<hr/>
Depreciation of property and equipment	25,992	26,505
Amortization of right-of-use assets	12,060	12,421
Amortization of intangible assets	11,475	7,666
Amortization of cemetery assets	40,043	34,294
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## 6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
Current period	162,288	236,854
Under provision in prior years	162	474
Deferred tax	17,152	42,678
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	179,602	280,006
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## 7. EARNINGS PER SHARE

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

	<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share ( <i>RMB'000</i> )	<u>298,801</u>	<u>464,723</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,271,063,422</b>	2,271,063,422
Effect of dilutive potential ordinary shares:		
Share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,271,063,422</b></u>	<u>2,271,063,422</u>

## 8. PROPERTY AND EQUIPMENT

	<b>June 30,</b>	December 31,
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Buildings	<b>355,410</b>	361,955
Leasehold improvements	<b>8,540</b>	7,393
Furniture, fixtures and equipment	<b>46,515</b>	45,406
Motor vehicles	<b>19,121</b>	20,501
Construction in progress	<u><b>108,688</b></u>	<u>120,977</u>
	<u><b>538,274</b></u>	<u>556,232</u>

## 9. GOODWILL

The movements of goodwill for the six months ended June 30, 2024 are as follows:

	<i><b>RMB'000</b></i>
COST	
At January 1, 2024 (Audited)	<b>1,129,049</b>
Less: Assets classified as held for sale ( <i>note</i> )	<u><b>(37,594)</b></u>
At June 30, 2024 (Unaudited)	<u><u><b>1,091,455</b></u></u>

*Note:* In June 2024, one of the subsidiaries of the Group entered into an agreement to dispose all of its 70% equity interest of Zhuolu Longhui to the non-controlling shareholder of Zhuolu Longhui, for a consideration of RMB43,500,000. The assets (including the goodwill) and liabilities attributable to Zhuolu Longhui, which are expected to be sold within six months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of finance position.

## 10. CEMETERY ASSETS

	<b>June 30, 2024 RMB'000 (Unaudited)</b>	December 31, 2023 RMB'000 (Audited)
Land costs	<b>1,368,744</b>	1,411,570
Landscape facilities	<b>259,732</b>	264,452
Development costs	<u><b>402,728</b></u>	<u>398,630</u>
	<u><u><b>2,031,204</b></u></u>	<u><u>2,074,652</u></u>

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

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

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

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

## 11. INVENTORIES

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Burial plots	419,136	415,344
Tombstone	89,428	90,308
Others	57,743	52,339
	<u>566,307</u>	<u>557,991</u>

## 12. TRADE AND OTHER RECEIVABLES

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	146,439	144,131
Less: Allowance for credit losses	(18,341)	(5,018)
	<u>128,098</u>	<u>139,113</u>
Other receivables comprise:		
Rental deposits on properties	3,129	2,938
Staff advances	1,155	757
Deposits for projects	6,602	6,865
Prepayments to suppliers	9,191	13,913
Interest receivables	—	3,129
Receivables from disposal of equity investment	—	30,861
Loans to third parties in connection with cemetery projects	12,192	12,192
Others	11,140	12,615
Less: Allowance for credit losses	(1,000)	—
	<u>170,507</u>	<u>222,383</u>

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

	<b>June 30, 2024 RMB'000 (Unaudited)</b>	December 31, 2023 RMB'000 (Audited)
Within one year	57,866	71,594
Over one year but less than two years	41,858	36,759
Over two years but less than three years	25,380	29,292
Over three years	2,994	1,468
	<u>128,098</u>	<u>139,113</u>

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

### 13. BANK BALANCES AND CASH

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

	<b>June 30, 2024 (Unaudited)</b>	December 31, 2023 (Audited)
Interest rate per annum		
— RMB	0.20%–2.03%	0.20%–2.03%
— HK\$	0.01%	0.01%
— US\$	0.05%	0.05%
— JPY	0.0001%	0.0001%

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

	<b>June 30, 2024 RMB'000 (Unaudited)</b>	December 31, 2023 RMB'000 (Audited)
HK\$	56,682	46,280
US\$	2,351	2,270
JPY	5,978	5,921
	<u>65,011</u>	<u>54,471</u>

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

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Unlisted cash management products	<b>890,582</b>	776,501

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

Details of the structured deposit and a number of cash management products at June 30, 2024 are as follows:

Bank	Name of products (Note)	Currency	Amount	Term/call date	Expected yield rate	Principal guaranteed
			<i>RMB'000</i>			
Shanghai Pudong Development Bank	Yue Yue Xiang Ying (月月享盈定開3號)	RMB	200,622	Redeemable on call after 30 work days on work day	2.73%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈1號)	RMB	142,767	Redeemable on call after 1 work day on work day	2.01%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (天添利普惠計劃)	RMB	6,703	Redeemable on call after 1 work day on work day	1.87%	N
<b>Subtotal</b>		RMB	<u>350,092</u>			
Bank of Shanghai	Yi Jing Ling (易精靈)	RMB	51,430	Redeemable on call after 1 work day on work day	1.75%	N
<b>Subtotal</b>		RMB	<u>51,430</u>			
Shanghai Rural Commercial Bank	Zun Xiang Xin Yi (尊享鑫意24031期)	RMB	40,232	December 26, 2024	3.30%	N
Shanghai Rural Commercial Bank	Ji Ji Xin Li (公司款季季鑫利3個月定開)	RMB	35,196	Redeemable on call after 90 work days on work day	2.45%~3.35%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利19026期)	RMB	30,000	Redeemable on call after 180 work days on work day	2.65%~3.55%	N
Shanghai Rural Commercial Bank	Tian Tian Ying (天天盈C款)	RMB	16,329	Redeemable on call after 1 work day on work day	1.76%	N
<b>Subtotal</b>		RMB	<u>121,757</u>			

Bank	Name of products (Note)	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal guaranteed
China Industrial Bank	Jin Xue Qiu Wen Li Lu Lu Fa (金雪球穩利陸陸發)	RMB	103,411	December 2, 2024	3.30%~3.80%	N
China Industrial Bank	Jin Xue Qiu Wen Li Ji Ji Feng (金雪球穩利季季豐)	RMB	103,309	September 2, 2024	3.00%~3.50%	N
<b>Subtotal</b>		RMB	<u>206,720</u>			
China Construction Bank	Heng Ying Fa Ren Ban (恒贏(法人版))	RMB	140,583	Redeemable on call after 1 work day on work day	1.84%	N
China Construction Bank	Jia Xin Gu Shou (嘉鑫固收(法人版))	RMB	20,000	Redeemable on call after 1 work day on work day	2.40%~2.80%	N
<b>Subtotal</b>		RMB	<u>160,583</u>			
<b>Total</b>		RMB	<u><u>890,582</u></u>			

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

## 15. TIME DEPOSITS

<b>June 30, 2024</b>	December 31, 2023
<b>RMB'000</b>	<b>RMB'000</b>
<b>(Unaudited)</b>	<b>(Audited)</b>
<b><u>471,888</u></b>	<u>367,746</u>

As at June 30, 2024, the Group had fixed-term deposits of RMB471,888,000 in banks in the PRC with contractual maturity of three months to three years and fixed interest rate ranging from 1.70% to 5.22% per annum (December 31, 2023: fixed interest rate ranging from 1.50% to 5.47% per annum).

## 16. TRADE AND OTHER PAYABLES

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	<u>303,964</u>	<u>306,832</u>
Other payables comprise:		
Deposits from customers	15,492	20,334
Payables for acquisition of property and equipment	637	604
Salary, welfare and bonus payables	91,650	152,551
Other accrued expenses	36,534	45,350
Consideration payable for acquisition of subsidiaries	31,773	31,773
Reimbursed payables due to third parties	—	43,377
Others	<u>67,293</u>	<u>57,523</u>
	<u><u>547,343</u></u>	<u><u>658,344</u></u>

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

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0–90 days	74,558	89,307
91–180 days	28,492	25,971
181–365 days	58,693	50,117
Over 365 days	<u>142,221</u>	<u>141,437</u>
	<u><u>303,964</u></u>	<u><u>306,832</u></u>

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

## 17. CONTRACT LIABILITIES

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cemetery maintenance services	578,767	551,800
Sales of pre-need contracts	50,825	48,442
	<u>629,592</u>	<u>600,242</u>

### **Cemetery maintenance services**

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

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

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

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

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

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



## 18. DEFERRED TAXATION

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

	<b>June 30, 2024 RMB'000 (Unaudited)</b>	December 31, 2023 RMB'000 (Restated)
Contract liabilities and loss allowance	<b>80,381</b>	72,682
Unused tax losses	<b>16,810</b>	16,883
Fair value adjustments	<b>(126,121)</b>	(126,770)
Right-of-use assets	<b>(13,695)</b>	(11,796)
Lease liabilities	<b>14,092</b>	13,092
Undistributed profits to be remitted from domestic subsidiaries to Group's overseas intermediate holding company	<b>(110,066)</b>	(87,357)
	<b>(138,599)</b>	(123,266)

## 19. DIVIDENDS

During the Period, the Company has declared and paid the final dividend of HK6.86 cents per Share for 2023, amounting to approximately RMB145.2 million in total. In March 2024, the Company has declared a special dividend of HK21.39 cents per Share for 2023, which is expected to be paid on October 31, 2024.

On August 23, 2024, an interim dividend in respect of the six months ended June 30, 2024 of HK6.38 cents per Share was declared by the Directors.

## CHAIRMAN’S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the results of the Group for the six months ended June 30, 2024 (the period under review) to all shareholders for review.

In the first half of 2024, the global economy experienced a steady but somewhat sluggish recovery, with variations across different regions. Although the economic recovery in mainland China showed clear signs of improvement, it is still in a phase of “weak recovery” overall. Despite this, the economy of mainland China has demonstrated strong resilience and remains vibrant, indicating a sustained positive trend towards long-term and high-quality development. With the ongoing effectiveness of various supportive policies, it is anticipated that the economic development momentum in mainland China will continue to strengthen, leading to further improvement in the overall development outlook. Moreover, there are promising prospects for macroeconomic stability and recovery, along with new opportunities emerging in various sectors.

As a leading funeral and life technology service provider in China, Fu Shou Yuan has always been at the forefront of innovation in the death care industry, serving as an explorer and participant in its development and transformation. With the enormous demand and market prospects in the funeral and life service sector, the Group continuously enhances service quality and promotes digital transformation based on industry-leading operational concepts, a multi-engine driving approach, and large-scale expansion strategies. With a focus on creating beauty through symbolic gestures, emphasizing the importance of comprehensive documentation, and fostering long-lasting remembrance, Fu Shou Yuan strives to fulfill its corporate, social, industry, historical, and public responsibilities. Through the promotion of a new industry culture, the Company aims to drive positive changes within the industry and contribute to the progress of societal civilization, thereby meeting the aspirations of the people for a better quality of life.

The Group continuously optimizes its existing management system to enhance overall operational efficiency through lean management practices, and proactively addresses challenges arising from external environmental changes. For the six months ended June 30, 2024, the Group recorded a revenue of RMB1,100.0 million and achieved a net profit of RMB363.1 million. Profit and comprehensive income attributable to Shareholders amounted to RMB298.8 million. The Board proposed to distribute an interim dividend of HK6.38 cents per Share for 2024, which is in line with the Group’s committed dividend policy to reward Shareholders for their long-term support and trust.

During the Period under review, Fu Shou Yuan actively implemented the national strategy of building strong national brands and contributed to the development of new quality productivity to promote high-quality development of the Chinese economy and enhance international influence and competitiveness of the Chinese brands. On April 28, 2024, Fu Shou Yuan participated in the “2024 Strong National Brands Forum” organized by Asiabrand, a professional brand evaluation institution, in collaboration with the China-Asia Economic Development Association, Global Times, and China Economic News Broadcasting Network. At the forum, the Group’s innovative achievements in brand building over the past 30 years were recognized, leading to its inclusion in the list of “2024 China Innovation Brand Top 500” as recommended by relevant authorities and media. The Group’s brand value was assessed at RMB13.995 billion, with an impressive brand score of 431.64 points, securing the 233rd position. This recognition serves as a strong affirmation of Fu Shou Yuan’s dedication to brand development in recent years and highlights its potential for future brand value growth.

Fu Shou Yuan actively responds to the development of national digital economy, leading the continuous iteration of digital funeral services and expanding their application in various scenarios. On April 4, 2024, Fu Shou Yuan organized the 2024 Qingming Release Conference in the form of a “Digital Human Virtual Release.” Through the introduction by the digital spokesperson, Jason, Fu Shou Yuan showcased its 3JI life service concept and unveiled a range of initiatives and projects related to life aesthetics products, paradise community plan, digital ancestral hall, virtual digital human, as well as the “Pre-need Contract • Beneficence Plan” and the Life Wisdom Library, covering areas such as products, technology, public welfare, and culture. Over the past 30 years, Fu Shou Yuan has been committed to embodying the principles of transforming cemeteries into parks, making farewells beautiful, and transforming rituals into commemorations. Its facilities, products, and services have evolved from “Cemetery 1.0” to “Park 2.0”, and further advanced to the “Humanistic Memorial Park 3.0” version. Today, with the continuous development of technology, Fu Shou Yuan aims to create a spiritually connected “Metaversa Park 4.0” by bridging the digital and physical realms.

In addition, Fu Shou Yuan has consistently upheld the spirit of philanthropy, actively organizing and participating in various social welfare activities to promote and advocate for philanthropic behavior that span across numerous domains, including charitable assistance, mental support, hospice care, educational support, life education, and environmental protection. In recognition of its dedication and contributions to talent development, industry-education integration, and comprehensive life education, Fu Shou Yuan was honored with the “2023 Education Public Welfare Contribution Award” at the 13th China Public Welfare Festival and the “2023 ESG Impact Annual Conference”. On March 28, 2024, Fu Shou Yuan was proudly named the “2023 China Public Welfare Enterprise”. It also received esteemed accolades such as the excellent volunteer service project in the field of civil affairs in Shanghai, the “6th Shanghai Public Welfare Selection — Top 10 Public Welfare Projects of the Year” and the Second Prize at Shanghai Hospice Care Service Case Competition in 2023. These honors serve as a testament to Fu Shou Yuan’s leading position and outstanding performance in the area of public welfare. Guided by the mission to “improve the quality of life and care for the value of life”, the Group has been actively involved in various public welfare projects, including poverty alleviation, assistance to the needy, support for the elderly, care for orphans, aid for the sick, assistance for the disabled, and other initiatives, and continuously consolidate the public welfare endeavors of Fu Shou Yuan, demonstrating unwavering commitment in exploring new path for public welfare services.

In terms of international cooperation, Fu Shou Yuan participated in the 2024 AFE Asia Funeral and Cemetery Expo and Conference held at the Hong Kong Convention and Exhibition Centre. Since 2014, the Group has set up booths at the AFE Asia Funeral and Cemetery Expo for the first time, and has continuously participated in and supported the expo for many years, showcasing the concept and experience as a “leading funeral and life technology service provider in China” to global counterparts in the funeral industry. In 2024, which coincides with the 30th anniversary of Fu Shou Yuan’s establishment, the Group’s exhibition booth highlighted its comprehensive strength and future direction through a specially designed display. It focused on five major aspects, namely “Metaversa Park 4.0” strategy, vocational education, environmental protection equipment, pre-need services, planning and design, and placed emphasis on how to enhance the quality of funeral products and services in a dynamic market environment, as well as the practical application of technology and green practices in the funeral industry.

With the accelerated integration of the Yangtze River Delta region in terms of economy and society, as well as the guidance of the whole life cycle care concept, there is an urgent need for the integration and development of life service sectors such as medical and health care, elderly care services, health management, life education, hospice care, and funeral services within the region. The inaugural meeting of the Think Tank for Integrated Life Services in the Yangtze River Delta, organized by Fu Shou Yuan Li Ji Academy, Shanghai Academy of Quality Management, and School of Sociology of Shanghai University, was held at Fu Shou Yuan in Shanghai in April 2024. The Think Tank aims to promote the coordinated development of integrated life services in the Yangtze River Delta through standardization guidance, quality improvement, service innovation, cross-sector integration, and industry empowerment. In the future, Fu Shou Yuan Li Ji Academy will continue to invite participation from higher education institutions, social organizations, elderly care facilities, medical service providers, funeral service providers, and others. Together, they will undertake responsibilities such as conducting market research, offering recommendations, formulating industry standards, innovating service models, collecting and analyzing data, facilitating cross-sector partnerships and exchanges, nurturing talents, and promoting life education in the society.

During the Period under review, Fu Shou Yuan has consistently expanded its footprint in public welfare undertakings. On March 31, 2024, Shandong Fu Shou Yuan organized the 25th Public Welfare Festival Green Burial Collective Digital Funeral Ceremony in Jinan. A total of 57 deceased individuals were laid to rest in this ceremony, including 23 body donors. Additionally, on March 28, 2024, the Fu Shou Yuan Humanistic Memorial Park in the western suburbs of Chongqing held the “Life • Tribute” event, dedicated to commemorating body organ donations in 2024. The event featured three chapters: Life Ritual, Digital Ritual, and Life Tribute, all of which actively promoted a civilized and eco-friendly memorial culture. In the “Digital Ritual” chapter, with the theme of “Love Across Time and Space”, Chongqing Xijiao Fu Shou Yuan creatively combined cloud-based memorials and digital funeral services, utilizing “digital life” technology to vividly portray the inspiring story of Dr. Diao Panya, a selfless organ donor. Through the use of digital human technology, visitors were able to witness a heartfelt and genuine conversation across time and space between Dr. Diao and her mother, husband, and daughter. By incorporating diverse memorial scenes and digital products, the event successfully transcended the limitations of time and space, transforming remembrance into more frequent and meaningful experience.

In the future, Fu Shou Yuan will strive to enhance its corporate governance standards and unwaveringly promote the implementation of sustainable development strategies while deeply embedding the principles of sustainable development in its core values. In terms of environmental protection, Fu Shou Yuan will continue to uphold the principles of green development, emphasize the harmonious coexistence of ecological preservation and humanistic landscapes, and promote low-carbon, low-energy consumption, and efficient operations, thereby contributing to ecological symbiosis and the green and sustainable development of the industry, ensuring that every inch of land is filled with vitality and hope. In social aspect, the Group will persistently innovate and optimize its products while preserving the culture of the city, in order to continuously strive towards fulfilling people's aspirations for a better life by continuously innovating service models and enhancing service quality, thus providing each customer with more considerate, professional, and personalized services. Furthermore, the Group will actively embrace its responsibilities in various domains, including corporate, social, industry, historical, and public responsibilities, continuously consolidate public welfare endeavors within Fu Shou Yuan, explore new forms of public welfare services, encourage society to confront the realities of life and death and cherish every life, thereby illuminating the journey of life with public welfare endeavors.

Looking forward, Fu Shou Yuan will continue to prioritize a people-centric service philosophy, constantly enhance service quality and strive for excellence. We will adhere to the service tenet of “respecting life and warming hearts”, and uphold the entrepreneurial spirit of “innovation, responsibility and win-win cooperation” to continuously promote digital transformation, enhance service efficiency and quality, satisfy the growing needs of our customers, strive for better performance, improve the mechanism of consistent and stable high returns to investors, and share the fruits of our business development with all Shareholders.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

As China advances into a moderately prosperous society in all respects and reached a new historical starting point, promotion of people's well-being to a new level and continuous enhancement of people's sense of satisfaction, happiness and security will be China's key developmental goals in terms of people's livelihood going forward. In the new era, people's desire for a better life has extended from "life" to "death". Improving the quality of people's funeral services and achieving "peaceful departure" have become the major issues in the field of death care service and have been promoting the in-depth development of China's death care service industry.

In recent years, China's new urbanization has been progressing steadily with rising urbanization rate. According to the latest documents published by the National Bureau of Statistics of China, as of the end of 2023, China's resident population in urban areas reached 932.67 million, representing an increase of 11.96 million compared to the end of 2022, while the rate of urban population was 66.16%, representing an increase of 0.94 percentage points compared to the year of 2022. China's urbanization rate has increased by an average of 0.93 percentage points annually over the past five years, with more than 10 million rural residents moving into urban areas every year. The steady increase in the level of urbanization will give rise to a wide range of demands from the new urban population for funeral infrastructure, multi-layered funeral services, and life-related technology industries. At the same time, the number of China's aging population has further heightened. At the end of 2023, the number of people aged 60 and above reached 296.97 million, accounting for 21.1% of the total population. The number increased by 16.93 million compared to the end of 2022, representing a rise of 1.3 percentage points in its proportion to the overall population. During the 14th Five-Year Plan Period, the population born in the second birth peak in the 1960s have successively entered old age, resulting in a sharp increase in China's aging population. According to the latest data released by the National Bureau of Statistics of China, the number of deaths in China for 2023 was 11.1 million, representing an increase of 690,000 from 2022. In addition, with the continuous advancement in funeral reforms and customs changes, the cremation rate of remains in China continued to increase in recent years. In 2021, 5.966 million bodies were cremated nationwide with a cremation rate of 58.8%, which was 3.1 percentage points higher than that of 2020. Looking ahead, the acceleration of and interplay between the new urbanization process, the aging population trend and the increased cremation rate will continuously give rise to a massive demand for death care services in the market.

In the first half of 2024, the overall economy of China has been operating steadily with a long-term upward trend. According to the latest statistics released by the National Bureau of Statistics of China, China's GDP amounted to RMB61,683.6 billion in the first half of 2024, representing a year-on-year increase of 5.0% if calculated at constant prices. The disposable income per capita of urban residents was RMB27,561, representing a year-on-year growth of 4.6% in nominal terms and a growth of 4.5% in real terms excluding price factors, compared to the same period of last year. The consumption expenditure per capita of urban residents was RMB16,780, representing a year-on-year growth of 6.1% in nominal terms and a growth of 6.0% in real terms compared to the same period of last year. The service consumption expenditure per capita of national residents increased by 9.2%, accounting for 45.6% of residents' per capita consumption expenditure, which was 1.1 percentage points higher than the same period of last year. On the other hand, as the external environment becomes more complex, severe and uncertain in the first half of the year, the pain of domestic structural adjustment has begun to emerge, factors such as insufficient short-term effective demand lingered to retard the sustained upturn in the service economy, with further rooms for improvement in the residents' consumption power. In the long run, with the improvement of people's living standards and the steady growth of their income, the upgrading trend in China's resident consumption structure has remained unchanged, with constant emergence of consumption highlights such as digital consumption, green consumption and healthy consumption, demonstrating that the residents' demand for quality continues to increase, and the concept of green and environmental protection becomes more popular. There are numerous opportunities for the development of service-based consumption in the future, including the urbanization of the household population, which will stimulate the upgrading of service-based consumption, the ageing of the population, which will bring diversified demand for elderly services, and the development of the digital economy, which will give rise to new types of service-based consumption, and so on. As a humanized funeral service provider, we will not only satisfy the basic funeral service needs, but will also cater for the public's growing demands for diversified and differentiated services with high quality, providing multi-layered service contents and more convenient service scenarios to extend humanistic care and emotional comfort to the deceased and their families.

The death care service sector in China has been pressing ahead in terms of reform and innovation, so as to strengthen system construction and advance the modernization of the governance system and governance capacity in death care service. Since 2021, the Ministry of Civil Affairs of the PRC and governments at all levels have successively issued their 14th Five-Year Plan on the Development of Civil Affairs (《「十四五」民政事業發展規劃》), which further improves the public death care service system and enhances the government's ability to provide basic death care services. It will further accelerate the reinforcement of death care service facilities by addressing their weaknesses and practically improve the standard of governance in the death care service sector, while further regulating and strengthening the management of death care services, standardizing the business conduct of death care intermediaries and service providers, and establishing



a sound and comprehensive regulatory mechanism. In November 2023, the Ministry of Civil Affairs issued the Notice of the General Office of the Ministry of Civil Affairs on Publishing of the Plan for the Construction of Civil Affairs Laws and Regulations (2023–2027) (《民政部辦公廳關於印發〈民政法規制度建設規劃(2023–2027年)〉的通知》), which sets out specific improvement measures on death care service system to promote formulation of policies in strengthening and enhancing death care service management, and initiating studies on legislation for death care regime in a timely manner. In particular, the Regulations on Funeral and Interment Control (《殯葬管理條例》) has been included in the legislative work plan of the Ministry of Civil Affairs and its revision is being actively promoted. The revision of the Regulations on Funeral and Interment Control will deepen the death care reform, improve the death care service system, and help rectify the chaos in the industry. It further standardizes death care behaviors, strengthens the provision of legal protection in death care management, promotes the market-oriented and standardized development of the industry, and ultimately achieves the long-term healthy growth of China’s death care service industry. In February 2024, the Ministry of Civil Affairs convened a mobilisation and deployment meeting for the year-opening work and emphasised once again the need to expedite the reinforcement of death care service facilities, including increasing investment in the construction of funeral parlours, cemeteries and other infrastructure, to improve the coverage and service capacity of death care facilities. In the same month, the Ministry of Civil Affairs released the Notice on Public Solicitation of Opinions for 20 National and Civil Affairs Industry Standardization Projects, including the Guidelines for Land-saving Ecological Burial Services (《關於〈節地生態安葬服務指南〉等20項國家和民政行業標準計劃項目公開徵求意見的通知》). The relevant standardization projects cover various aspects of death care services, including, among others, land-saving ecological burial, grief counselling services, basic functions of the funeral IoT information system software, standards for body embalming agents, and requirements for online worshipping, which marks another important step in the promotion of death care standardization. In April 2024, the Ministry of Civil Affairs issued the Notice of the General Office of the Ministry of Civil Affairs on Further Strengthening the Standardized Disposal of Remains and Cremated Ashes (《民政部辦公廳關於進一步加強遺體和骨灰規範處置工作的通知》), which further regulates the disposal services for remains and cremated ashes by stipulating responsibilities of various operating facilities and relevant regulatory authorities, and strengthening the education and training of service personnel in the industry. The Group expects that there will be a higher entry barrier for both new and existing participants in the death care service industry with the continuous improvement in regimes and systems of the death care service sector. As a distinguished death care service provider and an industry leader in China, we have always been at the forefront of the industry in terms of compliance and the development of standardized systems, and we believe the above-mentioned regulations will create a better environment with fair competition and adequate rooms for sustainable development. We will continue our efforts in directing the development of the industry and better serve the public through death care services that meet both psychological and cultural needs.

With regards to the technology in funeral and burial, in December 2021, the Ministry of Civil Affairs issued the 14th Five-Year Plan on the Development of the Digitalization of Civil Affairs (《「十四五」民政信息化發展規劃》), which serves as a proactive effort to establish a nationwide digitalized platform for death care management services, to build a fundamental database for national death care information, and to improve the digitalized standards of death care management services. By promoting the integration of the internet and death care services and developing new service modes such as remote funerals and online worshipping, it aims to provide more convenient death care services for the public. Additionally, the Ministry of Civil Affairs issued Specifications for Online Worshipping Services (《網絡祭祀服務規範》) and Requirements for Online Worshipping (Draft for Public Comments) (《網絡祭祀要求 (徵求意見稿)》), which set out the basic requirements for providing online worshipping services, service procedures, and standards for online memorial halls and its evaluation and improvement. During the Qingming period in 2024, a total of 1,164 online worshipping platforms were launched nationwide, serving approximately 4.591 million users, which has become an important way for the public to express their grief and remember the deceased. The Internet is advancing the transformation and upgrading of death care services from traditional practices to modern formats. “Internet + death care” empowers death care services with information technology. It is accelerating the standardization of death care services and boosting the high-quality development of death care services. In May 2024, China Civil Affairs (《中國民政》) magazine published a signed article entitled Seizing New Opportunities in the Development of New Productivity and Striving for High-Quality Development in Social Affairs (《把握發展新質生產力新機遇努力推動社會事務工作高品質發展》). The article pointed out that the death care service industry is currently in a critical period of product iteration and increasing pressure. It is necessary to accelerate technological innovation and industrial transformation, integrate modern technological ideas into traditional funerals, and promote the development of a new industry characterized by high technological content, low resource consumption, minimal environmental pollution, and greener product supply. “To use the scientific ways of thinking and approach to give the deceased dignity, and use modern technology to enhance death care services to make them more humane and high-end” will be the future development direction of the death care industry. As a distinguished death care service provider and industry leader in China, we will continue to elevate our technological innovation capability and accelerate the application of technology and digital transformation in death care services.

As China’s social and economic development has entered a new era, people’s demands have been gradually moving from “availability” to “quality”. In the death care service sector, China witnessed the increasing disposable income per capita, vigorous promotion of traditional Chinese culture and virtues by the government, accelerating urbanization progress, aging population and rising cremation rate in recent years. These trends not only underlie the increase in overall demand for death care services, but also demonstrate the requirements for better death care service quality and the diversification and differentiation of the substance of death care services. With the acceleration of China’s population aging, the death care industry will be gradually incorporated into the

coordination, development, and planning of the entire elderly service industry to facilitate the development of each “elderly” service industry in a coordinated manner. In addition, a multi-layered social service security system, led by the government with contribution from the society, has been established to stimulate the vitality of market entities and direct social energy towards livelihood service security in an orderly manner, thereby proactively advancing the supply-side structural reform of death care services. It is able to secure the basic livelihood requirements and satisfy the public’s demand for multi-layered and diversified death care services at the same time. These driving factors are set to boost the in-depth and stable development of the death care service industry in China.

## **BUSINESS COMMENTARY**

In the first half of 2024, on one hand, China’s economy as a whole showed a stable recovery trend, with GDP reaching RMB61,683.6 billion, representing a year-on-year increase of 5.0% if calculated at constant prices; the disposable income per capita of urban residents was RMB27,561, representing a year-on-year growth of 4.5% in real terms excluding price factors, compared to the same period last year; the consumption expenditure per capita of urban residents was RMB16,780, representing a year-on-year growth of 6.0% in real terms compared to the same period last year. On the other hand, as the external environment becomes more complex, severe and uncertain, the pain of domestic structural adjustment has begun to emerge, factors such as insufficient short-term effective demand lingered to retard the sustained upturn in the service economy, with further rooms for improvement in the residents’ consumption power. Under such economic environment, customers appeared to be more cautious towards their consumption behaviors, took longer time for consideration before making consumption decisions and there were fewer local support policies implemented upon death care companies. All these have brought challenges to the development of the Group in the first half of this year in addition to the higher comparative revenue base in the same period of last year when the accumulated and deferred market demand was released post the impact of the Covid-19. During the Period, in order to respond to the corresponding changing trends in the economic environment and customer consumption behavior, the Group continued to focus on both the market and product fronts. We have made multifaceted efforts across the fields of service extension, technological leadership, and cultural innovation, formulating policies that cater to different “cemeteries” to meet the diversified and differentiated consumer needs of cemetery customers, especially those at the spiritual level. We will continue to enhance the core competitiveness of our products and services to achieve long-term sustainable development of the Group.

We are transforming from an industry-leading comprehensive death care service provider to a life technology service provider. In respect of cemetery business, we continue to be committed to implementing the “3JI” concept (Monument, Memories and Heritage) in various places and cemeteries. During the Period, under the guidance of the “3JI” concept, we launched a new sentiment product integrating cemetery products + services, striving to provide innovative, artistic life services that cover wider spectrum to our customers’ satisfaction. There are 17 cemeteries designed and implemented under the “3JI” concept, each of which is a profound artistic embodiment. They epitomize the reverence for life and pursuit of life aesthetics through their design concept, which is full of humanistic care, and overall cemetery layout, which possesses both inner and outer beauty, as well as the natural landscape that serves as embellishment and the monument design that combines functionality and artistry. In addition, as the vessels for documenting and commemorative activities in the “3JI” concept, personalized, digital and innovative services including digital rituals (digital immersive burial, memorial and worship), “Fu Shou Yuan Online Service” mini program, digital humanities memorial halls, life story memoirs, and digital ancestral halls have been developed and integrated into multiple scenarios and sessions such as funerals, burials, and memorial ceremonies. It allows customers to upload audio, pictorial and video materials to create 2D and 3D digital mannequins, life story microfilms, life story memoirs, as well as to generate family biographies on a household basis, all of which provide customers with a richer and broader spectrum of sentimental experience and beneficial emotional interventions. Following the multi-location operation of “3JI” products during the Period, we are encouraged and excited by the feedback from the market and customers. Although large-scale promotion have not been executed and immediate economic effects have not been achieved in the first half of the year, we believe that the application of products and services under the “3JI” concept will continue to strengthen the core competitiveness of the Group’s cemetery products, lead us straight to customers’ needs and contribute to the sales growth of our cemetery business in the second half of the year. Meanwhile, we have strengthened our technology-enabled management in this digital era. We are among the few cemetery enterprises that have fully implemented digitized systems for engineering, security, cleansing and cemetery management, which is to tie in with the manpower efficiency targets for further enhancement of operational efficiency in the second half of the year.

During the Period, despite the overall downturn in the domestic construction industry, Temshine, a wholly-owned subsidiary of the Group in the design segment which is specialized in planning and design in the funeral field, has maintained relatively stable operations and development. Both operating results and the number of newly contracted projects increased compared with the same period in 2023. Temshine obtained multiple planning and design projects from burial and funeral facilities in different locations during the Period through open market bidding. It remained as a national leader in terms of design strength and operating capabilities. At the same time, Temshine actively implemented the “3JI” concept within the Group, providing a strong guarantee for the “3JI” planning and implementation among the Group’s various entities, which has further enhanced the market competitiveness of the Group’s products.

In respect of funeral services business, we focused our efforts on several aspects during the Period, namely business restructuring, customer value creation, etiquette service transformation, and technology-enabled management. Through core process transformation focusing on “new scenarios, new supplies, and new services”, we have led industry development by catering to the “new consumption” needs of modern funerals, stimulating the vitality of traditional funeral business, and responding to the differentiated and diversified service needs of the market. We have paid full attention to the psychological needs of customers, using smart sound and light systems to transform cremation scenes, and introducing “meditation healing” services into farewell ceremonies. We have also developed a memorial plaque setting ceremony and related cultural and creative products to enhance customers’ experience and sense of satisfaction in funeral services. At the same time, we further expanded the scope of centralized R&D and procurement of funeral supplies, and incorporated “cultural paper coffins”, “cultural urn”, and “portable scented sachets” into the ceremonies, ensuring a full coverage of the “new culture” onto our funeral services. In addition, we continued to promote high value-added and high technology services, such as embalming and bathing for the departed, to strengthen our core competitiveness and promote the high-quality and sustainable development of funeral services.

As an important strategic pivot of the Group, pre-need contract aims to provide life planning advice and end-of-life management solutions to the public, and provide elderly service solutions to institutions and governments. It indicates the Group’s ability to lock in customers in advance and create a stable customer reserve for the funeral and cemetery segments. In the context of an aging society, pre-need contract services have been attracting more customers who wish to make their after-death arrangements earlier, and have also gained recognition, support and service orders from governments at all levels and elderly service institutions. During the Period, a total of 11,923 pre-need contracts were signed (same period of last year: 9,272 contracts), representing an increase of 28.6% compared with the same period of last year. The growth in sales volume was mainly attributable to the procurement of solutions by institutions and governments and the development of products at different target levels. Compared to channel development, we believe that the enhancement of the service content included in the pre-need contract will be more attractive to customers, governments at all levels and elderly service institutions, which will accelerate the promotion of the pre-need contract and improve its core competitiveness. Therefore, during the Period, we were also exploring integrated pre-need contracts that incorporate various professional support services such as hospice care, grief counseling, and emotional intervention. At the same time, we continued to promote the all-round and multi-insurance cooperation with insurance companies, hoping to drive the growth of the pre-need contract business and the rapid expansion of the market through cross-industry cooperation.

The Group's eco-friendly cremator business, which integrates R&D, design, in-house production, comprehensive support and after-sales service, manufactures smart and eco-friendly cremation equipment and exhaust gas purification treatment systems. During the Period, we continued to optimize product performance and collect customer feedback to further improve product quality and reduce operation and maintenance costs. We actively maintained customers from home and abroad by providing pre-sales technical support and after-sales maintenance guarantee. We have developed and provided services for updating and rebuilding old JS-2 cremators, allowing existing customers to share the latest achievements in product upgrade and energy conservation. At the same time, we continued to conduct statistical analysis and verification of new ash sorting furnaces and exhaust gas purification system equipment, further reducing their cremation time and fuel consumption through consistent optimization and adjustment. Furthermore, we are also establishing our own domestic and overseas sales system for the eco-friendly cremation equipment segment. During the Period, we maintained close contact with a number of potential partners from home and abroad, and signed sales cooperation agreements with several companies for multiple cremators, exhaust gas systems and certain auxiliary equipment. With the construction of corresponding funeral facilities following the advancement of new urbanization, the aging trend of the population, and the accelerated increase in cremation rates, we believe that the demand for eco-friendly and smart cremation equipment will increase significantly in different regions.

As of now, the Group's footprint covers over 40 cities in 19 provinces, autonomous regions and municipalities in China, including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu, Hubei, Hebei and Shaanxi, which includes our operating cemeteries and funeral facilities in major cities across 17 provinces, municipalities and autonomous regions in China. The Group's expansion plans in other major provinces, capital cities and uncharted areas across China are still progressing steadily. The Group will proceed at a prudent and steady pace and adhere to its responsibility to its Shareholders when selecting suitable targets, integrating diversified business resources and acquiring quality assets at fair and reasonable consideration.

During the Period, as the Group was in the process of transforming from an industry-leading comprehensive funeral service provider to a life technology service provider, we had been focusing on building a talent structure team that is compatible to the business transformation. In addition, in view of the complicated market environment and challenges in the first half of the year, we continued to deepen our human resources management reform. During the Period, we have optimized the formulation of our labor efficiency targets and salary grading system. This will ensure rational allocation of human resources, swift response to changes in the market, and preserving our competitiveness and adaptability.

During the Period, as the first corporate funeral vocational and educational institution in China with the qualification of a non-degree higher educational institution, as well as a core member of the Industry-education Integration Unit of the National Funeral Industry (全國殯葬行業產教融合共同體), the Group's Li Ji Academy hosted the 2nd council meeting of the Industry-education Integration Unit of the National Funeral Industry and the inaugural Forum of 30 on China Funeral Management (中國殯葬治理30人論壇). It also took the lead in setting up the Think Tank for Integrated Life Service Industry in Yangtze River Delta (長三角一體化生命服務事業智庫), providing intellectual support to promote exchanges among government, industry, scholars and researchers in China's funeral sector, and speeding up the improvement of funeral management system with Chinese characteristics. On the front of international exchanges, Li Ji Academy organized an international study group to take part in the 2024 ICCFA Annual Conference and Exposition in the United States and the 2024 Asian Funeral and Cemetery Expo and Conference ("AFE2024"). At the same time, Li Ji Academy took the lead in organizing the "Li Ji Global Forum", a subordinate forum of AFE2024 which for the very first time bore a title with an organization's name on it. On the front of policy research, Li Ji Academy was the main drafting party of the Construction and Service Regulations for Public Welfare Burial (Resting) Facility (公益性安葬(放)設施建設和服務規範), which was selected into the first batch of Standardized Guiding Technical Documentation Project of Shanghai Pudong New District in 2024.

Always upholding its "People-oriented and Culture-rooted" philosophy, Fu Shou Yuan has been transforming from an industry-leading comprehensive funeral service provider to a life technology service provider, extending its services beyond the earthly realm "Fu Shou Yuan" to the spiritual realm "Metaversa Park". We aim to "glorify the monuments", "prolong the memories" and "deepen the heritage". During the Qingming period in 2024, there were a total of 21,758 online articles related to Fu Shou Yuan, representing a year on year increase of 52.3%, with the volume of coverage on the Internet, positive coverage and coverage by central media all reaching record highs. The general public had largely given its approval to Fu Shou Yuan's pursuit of AI and digital transformation. Its branding activities such as the Peking University Qingming Forum, the Virtual Launch of Digital Replicant at Qingming, as well as its public welfare practices such as industry-education integration and life education, had all earned much praise from the public. There was multimedia coverage on the Group's staff across the country, including funeral director, tombstone designers and cleaners, who were being dubbed as "star growers". We gained wide recognition from all walks of life for our achievements in public welfare, public relations, technological innovations and brand development, receiving a number of awards including "Golden Begonia Award" (金海棠獎) at the 10th Asian Microfilm Art Festival, the Silver Award for Shanghai's Outstanding Public Relations Cases (上海市優秀公關案例評選銀獎), "Annual Contribution Award for Education and Public Welfare" at the 13th China Public Welfare Festival (第十三屆公益節「年度教育公益貢獻獎」), and the "Chinese Public Welfare Enterprise of the Year" at the 8th China Public Welfare Conference (第八屆中國公益年會「年度中國公益企業」), among others. In particular, based on its 30 years of innovation

in brand building, and with recommendation from relevant authorities and media, Fu Shou Yuan was selected as one of the “Top 500 China Innovative Brands in 2024” (二零二四中國創新品牌500強) at the 2024 Brand Power Forum (二零二四品牌強國論壇), ranking among giants such as Huawei Technology, China Power Grid, Tencent Technology, Alibaba and Douyin. With brand valuation at RMB13,995 million and its brand index at 431.64, Fu Shou Yuan ranked 233rd on the list.

In view of the above, notwithstanding the numerous challenges posed by the economic environment in the first half of the year as well as the relatively high base for comparison in the same period of last year, the concerted efforts of our entire Group have contributed to a total revenue of RMB1,100.0 million for the Period, representing a decrease of approximately 27.8% from the same period of last year. Profit and comprehensive income attributable to the owners of the Company amounted to RMB298.8 million, representing a decrease of approximately 35.7% compared to the same period of last year.

## REVENUE

During the Period, our revenue decreased by RMB424.5 million or 27.8% to RMB1,100.0 million from RMB1,524.5 million in the same period of last year. We derive our revenue primarily from three business segments: burial services, funeral services and other services. The following table sets forth our revenue by segment for the Period:

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	Revenue	% of	Revenue	% of
	(RMB'000)	Total Revenue	(RMB'000)	Total Revenue
Burial services	906,082	82.4%	1,287,173	84.4%
Funeral services	184,083	16.7%	224,004	14.7%
Other services	15,059	1.4%	20,386	1.3%
Inter-segment elimination	(5,233)	(0.5%)	(7,021)	(0.4%)
Total	<u>1,099,991</u>	<u>100.0%</u>	<u>1,524,542</u>	<u>100.0%</u>



## BURIAL SERVICES

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

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	No. of burial plots	Revenue (RMB'000)	No. of burial plots	Revenue (RMB'000)
Sale of burial plot services				
Ordinary business plots	6,704	808,815	9,787	1,183,455
Public welfare plots and tomb relocation	2,527	7,052	1,890	5,412
	<u>9,231</u>	<u>815,867</u>	<u>11,677</u>	<u>1,188,867</u>
Other burial services		<u>90,215</u>		<u>98,306</u>
Total revenue from burial services	<u>9,231</u>	<u>906,082</u>	<u>11,677</u>	<u>1,287,173</u>

During the same period of last year, the accumulated and deferred market demand for burial plot services came up with higher volumes of customers visiting our cemeteries, resulting in a swift sales rebound and a relatively higher base. During the Period, due to the impact of the macro economic environment customers appeared to be more cautious towards their consumption behaviors, and the cycle of customers' consideration before making consumption decisions has been lengthened, which resulted in the decrease of revenue from sale of burial plots services.

During the Period, the revenue from sale of burial plots services for ordinary business purpose decreased by RMB374.6 million or 31.7% as compared to the same period of last year, and sales volume decreased by 3,083 or 31.5% while the ASP decreased by approximately 0.2 percentage points.

During the Period, sale of public welfare plots and tomb relocation recorded RMB7.1 million, which related mainly to 1) tomb relocation and construction service to meet the market demand due to certain government's plan to develop local infrastructure construction; and 2) public welfare plots services rendered to designated people.

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

	<b>Six Months Ended</b>			
	<b>June 30, 2024</b>		<b>June 30, 2023</b>	
	<b>No. of burial plots</b>	<b>Revenue (RMB'000)</b>	<b>No. of burial plots</b>	<b>Revenue (RMB'000)</b>
Sale of burial plots services for ordinary business purpose, from:				
Comparable cemeteries*	<b>6,682</b>	<b>808,004</b>	9,785	1,183,268
Cemeteries related to acquisitions/new construction	<b>22</b>	<b>811</b>	<u>2</u>	<u>187</u>
<b>Total revenue from sale of burial plots services for ordinary business purpose</b>	<b><u>6,704</u></b>	<b><u>808,815</u></b>	<b><u>9,787</u></b>	<b><u>1,183,455</u></b>

\* Comparable cemeteries refer to those cemeteries owned and operated by the Group for the entire period from January 1, 2023 to June 30, 2024.

During the Period, revenue from sale of burial plots services for ordinary business purpose in comparable cemeteries decreased by RMB375.3 million or 31.7% as compared to the same period of last year. Its sales volume decreased by 3,103 or 31.7%. This is because during the same period of last year, the accumulated and deferred market demand for burial plot services came up with higher volumes of customers visiting our cemeteries, resulting in a swift sales rebound and a relatively higher base; while during the Period, customers appeared to be more cautious towards their consumption behaviors, and the cycle of customers' consideration before making consumption decisions has been lengthened, resulting in lower confirmed sales volume. Meanwhile, the ASP remained flat, 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 RMB0.6 million, mainly due to the contribution from the cemeteries in Yan'an of Shaanxi Province and Heze of Shandong Province which started to operate in second half of last year. The ASP of burial plots sold for ordinary business purpose in newly acquired cemeteries was lower than that of comparable cemeteries, as the cemeteries are located at different regions with different products and services rendered 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 returns 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 Period:

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	No. of customers	Revenue (RMB'000)	No. of customers	Revenue (RMB'000)
Funeral services, from:				
Comparable facilities*	33,399	181,088	41,691	223,972
Facilities related to new acquisitions/new construction	<u>1,492</u>	<u>2,995</u>	<u>2</u>	<u>32</u>
Total revenue from funeral services	<u><u>34,891</u></u>	<u><u>184,083</u></u>	<u><u>41,693</u></u>	<u><u>224,004</u></u>

\* Comparable facilities refer to those funeral facilities owned by the Group for the entire period from January 1, 2023 to June 30, 2024.

During the Period, revenue from funeral services decreased by RMB39.9 million or 17.8%. The volume of funeral services decreased by 6,802 households or 16.3%, while ASP decreased by RMB97 or 1.8%. Revenue from comparable funeral facilities and services decreased by RMB42.9 million or 19.9%. The service volume decreased by 8,292 households or 19.9%. The aforesaid decrease was mainly due to the following combined effects: 1) during the same period of last year, funeral facilities resumed to normal operation and value-added services were allowed to be performed after the lifting of epidemic prevention and control measures, resulting in higher comparative base; 2) during the second half of last year, input-output analysis were performed on certain funeral projects upon their expiration of existing cooperation agreements and the management determined to cease the operation of those low-performing funeral facilities. Meanwhile, ASP kept stable and increased by approximately 0.9% as compared to the same period of last year.

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

## GEOGRAPHIC INFORMATION

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

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	Revenue	% of	Revenue	% of
	(RMB'000)	Total Revenue	(RMB'000)	Total Revenue
Shanghai	526,143	48.3%	734,283	48.6%
Anhui	87,739	8.0%	102,077	6.7%
Liaoning	69,766	6.4%	112,771	7.5%
Henan	68,805	6.3%	94,380	6.2%
Jiangsu	52,524	4.8%	76,644	5.1%
Jiangxi	46,154	4.2%	63,617	4.2%
Shandong	44,558	4.1%	74,407	4.9%
Heilongjiang	42,568	3.9%	54,002	3.6%
Chongqing	37,787	3.5%	57,096	3.8%
Fujian	30,686	2.8%	36,517	2.4%
Zhejiang	25,354	2.3%	33,100	2.2%
Guizhou	23,604	2.2%	33,546	2.2%
Gansu	13,821	1.3%	15,913	1.0%
Inner Mongolia	9,332	0.9%	10,041	0.7%
Guangxi	8,980	0.8%	11,731	0.8%
Shaanxi	1,530	0.1%	75	0.0%
Hubei	814	0.1%	977	0.1%
<b>Total</b>	<b>1,090,165</b>	<b>100.0%</b>	<b>1,511,177</b>	<b>100.0%</b>

As impacted by the higher comparative base in the same period of last year and the macro economic environment and related expectation during the Period, revenue decreased in line with the reduction of the sales volume. With major cemeteries within the region, Shanghai, Anhui and Liaoning were top three regions which contributed the most to the Group, among which, Shanghai region accounted for 48.3% of the Group's revenue. Anhui's contribution to the Group's revenue increased by 1.3 percentage points mainly because reduction of revenue of the cemetery in Hefei is smaller than cemeteries in other regions. Liaoning's contribution to the Group's revenue is down 1.1 percentage points mainly because the revenue of the two local cemeteries reduced due to decline in sales volume.

## **OTHER SERVICES**

Revenue from other services for the Period mainly represented revenue of approximately RMB13.3 million generated from our professional design services offered to cemeteries and funeral parlours throughout the nation.

## **OPERATING EXPENDITURE**

The Group's operating expenditure, which accounted for 53.4% of total revenue for the Period (the same period of last year: 44.6%), decreased by RMB91.6 million or 13.5%. On one hand, the Group's expenditure reduced in line with the reduction of sales volume during the Period. On the other hand, the Group has commenced further structural adjustment on resources with an emphasis on the continuous optimization and enhancement of efficiency which resulted in a decrease in operating expenditure. However, due to the existence of fixed cost (such as depreciation and amortization), the decrease in operating expenditure was comparably lower than that of the revenue.

The Group's staff costs include staff salaries, bonuses and benefits. During the Period, the staff costs decreased by RMB19.4 million or 7.1%. Such decrease was mainly attributable to the combined effects of the reduction in employee incentives in line with the lower sales volume and was partly offset by the staff costs from the companies newly acquired or established in the second half of last year such as Yan'an Hongfu and Shenyang Fuyou.

The construction costs relate to the expenditures in building burial plot products (excluding stone materials). During the Period, the construction costs decreased by RMB16.4 million or 29.7%, as the Group closely monitored the construction planning of the theme parks in the cemeteries in order to optimize the construction size and increase the input-output efficiency. Meanwhile, the Group focuses on cost invested in construction, through optimizing the vendors pool and suppliers ranking, reducing overall procurement and engineering costs while maintaining quality and quantity, continuously improving the return on investment in construction.

Consumed materials and goods relate to materials and goods consumed when we provide burial, funeral and other services. They also include the materials and goods consumed when we build burial plots. During the Period, the consumed materials and goods decreased by approximately RMB32.8 million or 29.8%, in line with the decline of business volume of burial and funeral services. Meanwhile, the Group focuses on implementing the centralized procurement to a larger scale and to cover more materials with a view to continuing to reduce overall purchase costs.

Marketing and sales channel costs mainly include advertising costs, marketing costs, and sales commission. During the Period, the marketing and sales channel costs decreased by RMB4.6 million or 18.3%. Such decrease was the combined effect of reduced sales volume, better control of marketing costs and decline of sales commission percentage offered to the third-party sales agents.

During the Period, depreciation and amortization increased by RMB8.7 million or 10.7%, mainly due to the commencement of full period operation of certain new cemeteries and funeral facilities.

Other general operating expenditures decreased by RMB9.4 million or 11.2%, mainly because 1) relevant expenditures such as office expenses, travel expenses, conference expenses, etc reduced in line with the decline of sales volume; and 2) the Group launched in-depth cost control measures during the Period.

## OPERATING PROFIT AND OPERATING PROFIT MARGIN

As a result of the foregoing change of revenue and operating expenditure, our operating profit for the Period decreased by RMB332.9 million or 39.4% as compared to the same period of last year. The following table sets forth a breakdown of our operating profit and operating profit margin by segment for the Period:

	Six Months Ended			
	June 30, 2024		June 30, 2023	
	Operating Profit (RMB'000)	Operating Profit Margin	Operating Profit (RMB'000)	Operating Profit Margin
Burial services	492,814	54.4%	801,603	62.3%
Funeral services	25,840	14.0%	46,769	20.9%
Other services	(6,660)	(44.2%)	(4,525)	(22.2%)
Inter-segment elimination	243	(4.6%)	1,311	(18.7%)
<b>Total</b>	<b>512,237</b>	<b>46.6%</b>	<b>845,158</b>	<b>55.4%</b>

During the Period, the operating profit margin of burial services decreased to 54.4% from 62.3% in the same period of last year. The decrease was mainly because the accumulated and deferred market demand for burial plot services was released in the same period of last year, resulting in quick sales rebounds among the cemeteries to different levels, better margin and higher comparative revenue base. However, with lower sales volume and the existence of the fixed costs (depreciation and amortization), the operating profit margin of the burial services slid during the Period.

Funeral facilities started to resume normal operations during the same period of last year, and the increase in funeral service volume has increased the marginal effect of sales revenue. During this Period, the overall funeral service volume of the group has returned to normal levels, leading to decline in operating profit margins.

During the Period, other services segment recorded an operating loss of RMB6.7 million, mainly arising from the continued investments in the research and development of technology and products of cremation machines and Fu Shou Cloud, which are our two strategic segments; partly offset by the construction and design services. We are optimistic about the future of the business on our environmental-friendly cremation machines under the back-drop of tightening of the rules and regulations on environmental protection by the government. Fu Shou Cloud focuses on the application of technology in combined death care and “Internet + death care” services, which is an important direction of the future development of the Group.

## **FINANCE COSTS**

Finance costs for the Period consisted of interest expenses of RMB5.5 million (the same period of last year: Nil) on overseas bank loan designated for the purpose of dividend payout. Finance costs for the Period consisted of interest expenses of RMB0.4 million (the same period of last year: RMB0.5 million) on loans from non-controlling shareholders of certain subsidiaries, and interest expenses on lease liabilities and other long-term liabilities of RMB3.2 million (the same period of last year: RMB2.1 million).

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

## **OTHER INCOME, GAINS AND LOSSES**

Other income, gains and losses for the Period mainly include interest income, government grants received, exchange gains and losses, changes in the value of financial assets at fair value, and etc. Interest income and gains from unlisted cash management products during the Period amounted to RMB38.3 million, representing an increase of RMB8.9 million or 30.1% as compared to the same period of last year. Government grants received for the Period was RMB2.7 million, representing a reduction of RMB14.4 million or 84.2% compared to the same period of last year.

## **INCOME TAX EXPENSE**

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

During the Period, income tax expenses recorded RMB179.6 million, representing a decrease of RMB100.4 million or 35.9% as compared to the same period of last year. The decrease is the combined effect of 1) decreased taxable income in line with the decline of the revenue; and 2) the reduced withholding tax accrued on the profit attributable to the owners of the Company during the Period. Such withholding tax will be paid out only when relevant profits were remitted from domestic subsidiaries to Group's overseas intermediate holding company.

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

As mentioned above, our profit and total comprehensive income attributable to owners of the Company for the Period amounted to RMB298.8 million, representing a decrease of RMB165.9 million or 35.7% as compared to the same period of last year.

## **CASH FLOW**

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

	<b>Six Months Ended</b>	
	<b>June 30, 2024 (RMB'000)</b>	<b>June 30, 2023 (RMB'000)</b>
Net cash generated from (used in)		
— operating activities	<b>355,196*</b>	784,142*
— investing activities	<b>(193,120)*</b>	(226,660)*
— financing activities	<b>(210,388)</b>	(273,082)
<b>Total</b>	<b><u>(48,312)</u></b>	<b><u>284,400</u></b>

\* A classification made by the management does not comply with International Financial Reporting Standards, however, the management considers this classification can better reflect the nature of the Group's business and can make the information disclosed more comparable. The net cash generated from operating activities disclosed in the unaudited financial statements amounted to RMB338.6 million (the same period of last year: RMB667.4 million) and the net cash used in investing activities as disclosed in the unaudited financial statements amounted to RMB176.5 million (the same period of last year: net cash generated of RMB109.9 million). During the Period, an amount of RMB16.6 million (the same period of last year: RMB116.8 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 RMB355.2 million for the Period, representing a decrease of RMB428.9 million or 54.7% as compared to the same period of last year, which was primarily due to the decrease in revenue during the Period.

Our net cash used in investing activities amounted to RMB193.1 million during the Period. It was primarily due to: (i) net amount of payment of time deposits, entrusted loans and other financial assets of RMB172.9 million; (ii) payment for building new burial and funeral facilities and capital expenditures for upgrades and maintenance in other cemeteries and funeral facilities, and construction expenditure of the operating system in total of RMB26.7 million; (iii) payment of RMB16.6 million for the acquisition of cemetery lands; (iv) these were partially offset by the interests and gains from unlisted cash management products received of RMB27.0 million.

Our net cash used in financing activities amounted to RMB210.4 million during the Period. It was primarily due to: (i) final dividends for 2023 paid to shareholders of the Company of RMB142.2 million; (ii) dividends paid by subsidiaries to their non-controlling shareholders of RMB50.5 million; (iii) repayment of lease payment and other long-term liabilities of RMB17.7 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at June 30, 2024, we had bank balances and cash of RMB2,247.2 million (December 31, 2023: RMB2,295.5 million), time deposits of RMB267.3 million (December 31, 2023: RMB167.7 million) and unlisted cash management products of RMB890.6 million (December 31, 2023: RMB776.5 million). Such financial assets represent cash management products with relatively lower risk ratings, which are repayable on demand and have maturity dates shorter than six months, or are repayable upon notice of withdrawn by the Company at its discretion. Such assets are highly dispersed and are managed by certain state-owned banks, with expected annualized return rates ranging from 1.75% to 3.80%. To support our expansion strategy, we hold a relatively high level of cash. In order to moderately increase capital returns, under the premise of ensuring safety and liquidity, we have allocated a part of treasury fund to short-term cash management products. Such products are issued and managed by state-owned banks and have clearly-specified expected return rates, maturity dates or are immediately redeemable. Even though the principals and return rates of such products are in theory and as stipulated, determined by reference to the performance of the underlying assets, such as government debt instruments, treasury notes and corporate bonds with high credit ratings, and not guaranteed by the issuing banks, they are secured in substance considering the features and historical performance of such products and present situation of bank system in the PRC. We internally regard our treasury fund put in such cash management products as part of our cash balance, however, from the accounting point of view, they are classified as the financial assets at fair value through profit or

loss. In the foreseeable future, we expect to fund our capital expenditure, working capital and other capital requirements from the cash generated from our operations, bank borrowings, and other financing channels. The Board confirmed that the transactions in financial assets for the Period, on a standalone basis or aggregate basis, did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at June 30, 2024, we had outstanding bank borrowings totaling RMB200.0 million.

In addition, we had RMB15.0 billion of comprehensive bank credit line as at June 30, 2024.

## **GEARING RATIO**

Gearing ratio is total borrowings divided by total equity at the end of each financial period multiplied by 100%. Our gearing ratio as at June 30, 2024 was 3.4% (December 31, 2023: 3.5%). Our operation has been lightly leveraged because of our good cash generating capability from our operating activities. Although we expect that our capital expenditure in the following years will maintain at a relatively high level, we do not anticipate our gearing ratio will substantially increase considering the balance of bank and cash on hand. Therefore, we are exposed to limited interest rate risk.

## **CURRENCY RISK**

The Group conducts its businesses in the PRC and its functional currency is RMB. However, certain bank balances are denominated in foreign currencies, which exposed the Group to foreign currency risk. As at June 30, 2024, the amount denominated in RMB, HK\$, US\$ and JPY under the financial assets, time deposits, bank balances and cash accounted for 97.4%, 1.5%, 0.9% and 0.2%, respectively, of the total amount of these assets. We believe the current level of financial assets, time deposits, bank balances and certain payables denominated in foreign currencies expose us to a limited and manageable foreign currency risk. The management controls foreign currency risk by strictly managing the size of foreign currency risk exposure and closely observing the movement of foreign currency rates. We may, if necessary, hedge against foreign currency risk using financial instruments.

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

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

## **SIGNIFICANT INVESTMENTS**

As at June 30, 2024, the Group did not hold any significant investments (December 31, 2023: Nil).

## **CHARGES ON ASSETS**

As at June 30, 2024, the Group did not have any charges over assets (December 31, 2023: Nil).

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

As at June 30, 2024, the Group has no specific plans for any material investments or capital assets.

## **EMPLOYEE AND REMUNERATION POLICY**

We have adopted the Restricted Share Incentive Scheme on November 29, 2019 to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. As of June 30, 2024, 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. There was no grant of Restricted Shares to the eligible participants during the Period.

As at June 30, 2024, we had 2,401 full-time employees (December 31, 2023: 2,417 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 RMB19.7 million as at June 30, 2024.

## **CEMETERY LANDS AVAILABLE**

The saleable area for burial plots was approximately 2.86 million sq.m. as at June 30, 2024 (December 31, 2023: approximately 2.85 million sq.m.), which is sufficient to satisfy the needs of the Group's sustainable operation in the long run. When we determine the saleable area of each cemetery, we have already estimated and excluded those areas not for construction of tombs, such as the areas in connection with business centres, office buildings, landscaping and main roads. Such estimation may be updated from time to time as our development plan may be improved from time to time.

## **CONTINGENT LIABILITIES**

As at June 30, 2024, we had no contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **PROSPECTS**

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

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

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK6.38 cents per Share for the six months ended June 30, 2024. The interim dividend will be paid to the Shareholders on Thursday, October 31, 2024. The dividend will be payable to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, October 18, 2024.

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

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

## **CORPORATE GOVERNANCE PRACTICES**

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Period. There are no treasury Shares held by the Company (whether held directly or deposited in the Central Clearing and Settlement System or otherwise) as at 30 June 2024 and the date of this announcement.

## REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

## PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.fsygroup.com](http://www.fsygroup.com)). The interim report for the six months ended June 30, 2024 will be published on the respective websites of the Stock Exchange and the Company in due course.

## DEFINITIONS

“ASP”	average unit selling price
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company” or “Fu Shou Yuan”	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“ESG”	environmental, social and governance
“Fu Shou Cloud”	Shanghai Fu Shou Yun Life Information Technology Co. Ltd.* (上海福壽雲生命信息科技有限公司), a limited company established under the laws of the PRC and a wholly-owned subsidiary of the Company

“Group”, “our Group”, “us” or “we”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“Period”	the six months ended June 30, 2024
“Restricted Share Incentive Scheme”	the restricted share incentive scheme adopted by the company with effect from November 29, 2019
“Restricted Shares”	any Share(s) that may be offered by the Company to any selected participant pursuant to the Restricted Share Incentive Scheme
“RMB”	Renminbi yuan, the lawful currency of the PRC
“same period of last year”	the six months ended June 30, 2023
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Temshine”	Beijing Temshine Cemetery Group Ltd.* (北京天泉佳境陵園建築設計有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company since August 2017
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States

“Yan’an Hongfu” a cemetery in Yan’an of Shaanxi Province and operated by Yan’an Hongfu Cemetery Co., Ltd\* (延安洪福公墓有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company

“Zhuolu Longhui” 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

“%” percent

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

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

Hong Kong, August 23, 2024

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