



福壽園國際集團

FU SHOU YUAN INTERNATIONAL GROUP

01448.HK



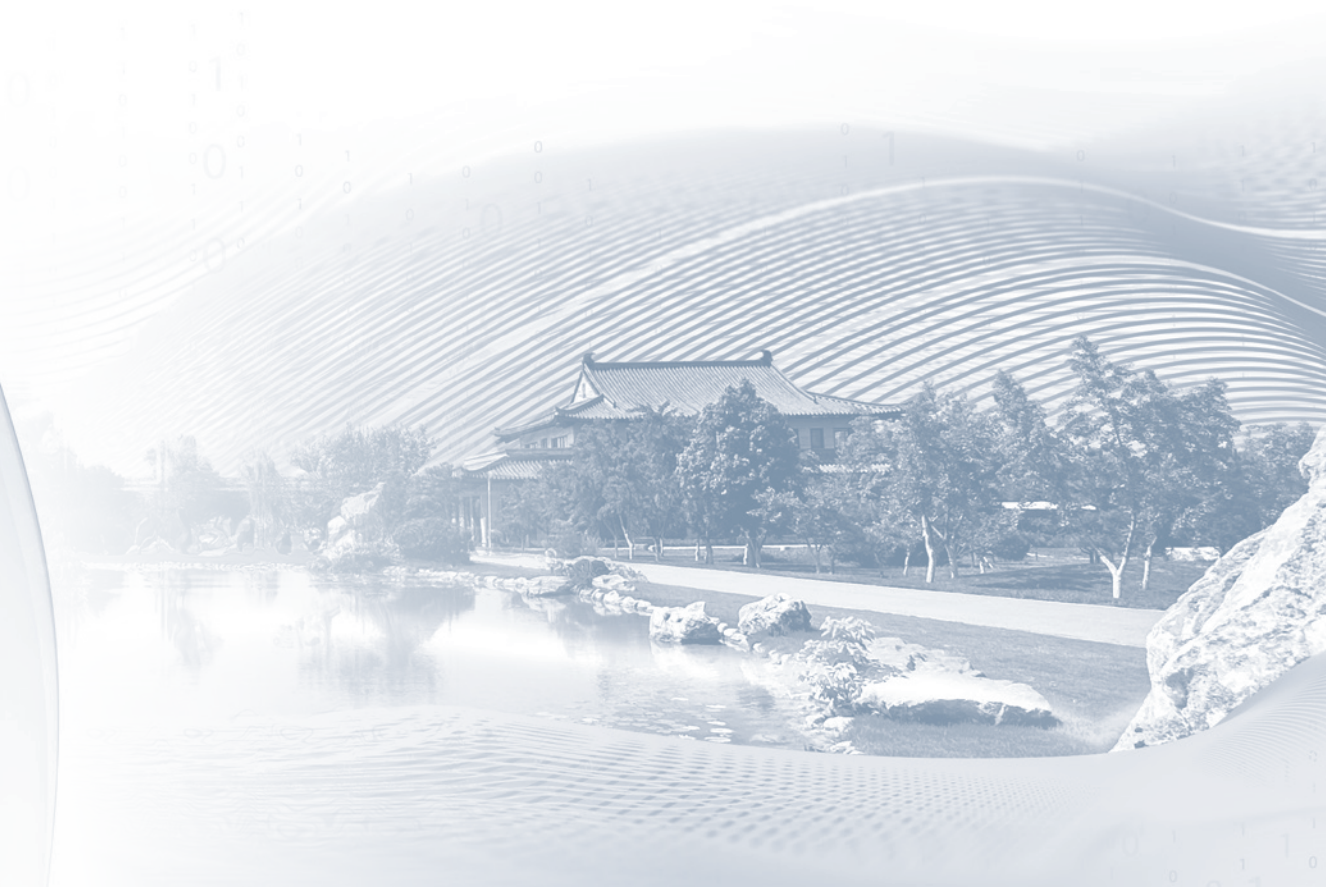
2024

INTERIM REPORT

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

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	7
Other Information	25
Report on Review of Condensed Consolidated Financial Statements	30
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	31
Condensed Consolidated Statement of Financial Position	32
Condensed Consolidated Statement of Changes in Equity	34
Condensed Consolidated Statement of Cash Flows	35
Notes to the Condensed Consolidated Financial Statements	37
Definitions and Glossary	57



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun
Mr. Chen Xin

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Bai Xiaojiang (*Chairman*)
Mr. Wang Jisheng
Mr. Luo Zhuping
Mr. Ho Man
Ms. Liang Yanjun

REMUNERATION COMMITTEE

Mr. Luo Zhuping (*Chairman*)
Mr. Tan Leon Li-an
Ms. Liang Yanjun

COMPLIANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Zhu Qiming
Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Bai Xiaojiang
Mr. Cheng Ching Kit

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS

Room 1306
No. 88 Cao Xi Road North
Shanghai
China 200030

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 709, 7/F
K. Wah Centre
191 Java Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

STOCK CODE

1448

WEBSITE

www.fsygroup.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Fu Shou Yuan International Group Limited, I hereby present the results of the 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.

CHAIRMAN'S STATEMENT

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 “Metaverse 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 “Metaverse 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.

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 "Metaverse 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of 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	1,099,991	100.0%	1,524,542	100.0%

BURIAL SERVICES

The following table sets forth the breakdown of our revenue from burial services, including revenue from the sale of burial plots services and other burial services, for the 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
	9,231	815,867	11,677	1,188,867
Other burial services		90,215		98,306
Total revenue from burial services	9,231	906,082	11,677	1,287,173

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	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 plots services for ordinary business purpose, from:				
Comparable cemeteries*	6,682	808,004	9,785	1,183,268
Cemeteries related to acquisitions/new construction	<u>22</u>	<u>811</u>	<u>2</u>	<u>187</u>
Total revenue from sale of burial plots services for ordinary business purpose	<u><u>6,704</u></u>	<u><u>808,815</u></u>	<u><u>9,787</u></u>	<u><u>1,183,455</u></u>

* 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

MANAGEMENT DISCUSSION AND ANALYSIS

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	1,492	2,995	2	32
Total revenue from funeral services	34,891	184,083	41,693	224,004

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (RMB'000)	% of Total Revenue	Revenue (RMB'000)	% of 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%
Total	1,090,165	100.0%	1,511,177	100.0%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%)
Total	512,237	46.6%	845,158	55.4%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOW

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

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

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES

As at June 30, 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Notes:

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

Save as disclosed above, as at June 30, 2024, neither the Directors nor chief executives of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at June 30, 2024, so far as the Directors were aware, the Shareholders, other than the Directors or chief executives of the Company, who had an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company
FSG Holding	Beneficial owner	Long position	320,360,000	13.81%
Mr. Tan Tize Shune (also known as "Tan Chih Chun")	Founder of a discretionary trust (Note 1)	Long position	320,360,000	13.81%
Perfect Score Alliance Rise	Beneficial owner	Long position	483,000,000	20.82%
Zhongfu	Interest in a controlled corporation (Note 2)	Long Position	483,000,000	20.82%
Hongfu	Interest in a controlled corporation (Note 3)	Long position	483,000,000	20.82%
NGO 1	Interest in a controlled corporation (Note 4)	Long position	483,000,000	20.82%
NGO 2	Interest in a controlled corporation (Note 5)	Long position	483,000,000	20.82%
Sunshine Life Insurance Co., Ltd.* (陽光人壽保險股份有限公司)	Beneficial owner (Note 6)	Long position	151,482,000	6.53%
Sunshine Insurance Group Co., Ltd.* (陽光保險集團股份有限公司)	Interest in a controlled corporation (Note 7)	Long position	151,482,000	6.53%

* The English translation is for identification purpose only

Notes:

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

OTHER INFORMATION

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

Save as disclosed above, as at June 30, 2024, so far as the Directors were aware, no other persons (other than the Directors or chief executives) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

RESTRICTED SHARE INCENTIVE SCHEME

The Company adopted the Restricted Share Incentive Scheme on November 29, 2019 and shall be valid and effective for a period of 10 years unless terminated earlier by a resolution of the Board. The purpose of the Restricted Incentive Scheme is to provide incentive or reward to eligible participants including directors and employees for their contribution or potential contribution to the Group. The total number of the Restricted Shares underlying all grants made pursuant to the Restricted Share Incentive Scheme shall not exceed 3% of the total issued share capital of the Company as at the date of adoption of the Restricted Share Incentive Scheme (i.e. 67,444,812 Shares). As at each of January 1, 2024 and June 30, 2024, the trustee of the Restricted Shares Incentive Scheme held 48,800,000 shares while no Restricted Shares were granted under the Restricted Share Incentive Scheme. As at each of January 1, 2024 and June 30, 2024, the number of Shares available for grant under the scheme mandate limit of the Restricted Share Incentive Scheme is 67,444,812 Shares, representing approximately 2.9% of the total issued Shares. No service provider sublimit was set under the Restricted Share Incentive Scheme. As at June 30 2024, the total number of shares available for issue under the Restricted Share Incentive Scheme was 18,644,812, representing approximately 0.8% of the issued Shares as at the date of this report.

No Restricted Share were granted, vested, cancelled or lapsed under the Restricted Share Incentive Scheme during the six months ended June 30, 2024.

OTHER INFORMATION

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

During the six months ended June 30, 2024, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). 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 interim report.

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 six months ended June 30, 2024.

No incident of non-compliance with the Model Code by the Directors was noted by the Company during the six months ended June 30, 2024.

CHANGE OF INFORMATION IN RESPECT OF DIRECTORS

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6.38 cents per Share for the six months ended June 30, 2024 (2023 interim: HK9.06 cents per Share). 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

The register of members of the Company will be closed from Wednesday, October 16, 2024 to Friday, October 18, 2024, both dates inclusive, during which period no transfer of Shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, October 15, 2024.

CORPORATE GOVERNANCE

The Company recognizes the importance of corporate transparency and accountability. The Company is committed to achieving high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Board is of the opinion that the Company has complied with the code provisions as set out in the CG Code throughout the six months ended June 30, 2024.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2024 have been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 – “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The independent review report of the auditor is included in this interim report.

The Audit Committee of the Company, comprising three independent non-executive Directors, namely, Mr. Ho Man (Chairman of the Audit Committee), Mr. Luo Zhuping and Mr. Chen Xin, and one non-executive Director, namely, Mr. Huang James Chih-Cheng, has reviewed together with the management the accounting principles and policies adopted by the Group, and the Group’s unaudited interim results for the six months ended June 30, 2024.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF FU SHOU YUAN INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Fu Shou Yuan International Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 31 to 56, which comprise the condensed consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statement. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 23, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	NOTES	For the six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (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	17	(14,323)	(19,593)
Profit from operations		512,237	845,158
Other income, gains and losses	6	37,274	38,741
Share of profit (loss) of a joint venture		2,339	(15,819)
Finance costs	5	(9,113)	(2,594)
Profit before taxation	7	542,737	865,486
Income tax expense	8	(179,602)	(280,006)
Profit and total comprehensive income for the period		363,135	585,480
Profit and total comprehensive income attributable to:			
Owners of the Company		298,801	464,723
Non-controlling interests		64,334	120,757
		363,135	585,480
		RMB cents	RMB cents
Earnings per share — Basic	10	13.2	20.5
— Diluted	10	13.2	20.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2024

	NOTES	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Non-current assets			
Property and equipment	11	538,274	556,232
Right-of-use assets	11	108,026	103,568
Investment property		6,509	6,509
Intangible assets	11	306,381	309,774
Goodwill	12	1,091,455	1,129,049
Deposits paid for acquisition of leasehold land as cemetery assets		21,963	21,963
Cemetery assets	13	2,031,204	2,074,652
Investment in an associate		3,000	3,000
Investment in a joint venture	14	44,523	42,184
Time deposits	19	204,633	200,000
Restricted deposits		92,615	89,424
Deferred tax assets	15	99,594	92,871
Other long-term assets		12,772	5,000
		<u>4,560,949</u>	<u>4,634,226</u>
Current assets			
Inventories	16	566,307	557,991
Trade and other receivables	17	170,507	222,383
Financial assets at fair value through profit or loss ("FVTPL")	18	890,582	776,501
Time deposits	19	267,255	167,746
Bank balances and cash	20	2,247,155	2,295,467
Contract assets		14,672	13,473
		<u>4,156,478</u>	<u>4,033,561</u>
Assets classified as held for sale	21	91,401	—
		<u>4,247,879</u>	<u>4,033,561</u>
Current liabilities			
Trade and other payables	22	547,343	658,344
Borrowings		200,000	200,000
Lease liabilities		22,844	23,156
Contract liabilities		113,823	105,808
Loans from non-controlling shareholders of subsidiaries		29,863	29,438
Dividends payable		1,119	36,000
Income tax liabilities		185,792	205,440
		<u>1,100,784</u>	<u>1,258,186</u>
Liabilities associated with assets classified as held for sale	21	47,502	—
		<u>1,148,286</u>	<u>1,258,186</u>
Net current assets		<u>3,099,593</u>	<u>2,775,375</u>
Total assets less current liabilities		<u>7,660,542</u>	<u>7,409,601</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2024

	NOTES	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		31,686	29,215
Contract liabilities		515,769	494,434
Deferred tax liabilities	15	238,193	216,137
Other long-term liabilities		95,709	95,951
		<u>881,357</u>	<u>835,737</u>
Net assets		<u>6,779,185</u>	<u>6,573,864</u>
Capital and reserves			
Share capital	23	142,148	142,148
Reserves		5,927,717	5,777,907
		<u>6,069,865</u>	<u>5,920,055</u>
Equity attributable to owners of the Company		6,069,865	5,920,055
Non-controlling interests		709,320	653,809
		<u>6,779,185</u>	<u>6,573,864</u>
Total equity		<u>6,779,185</u>	<u>6,573,864</u>

The condensed consolidated financial statements on pages 31 to 56 were approved and authorized for issue by the Board of Directors on August 23, 2024 and are signed on its behalf by:

Bai Xiaojiang
DIRECTOR

Wang Jisheng
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total RMB'000
At December 31, 2022 (Audited)	142,148	(254,829)	1,026,187	84,667	205,961	(105,033)	4,376,657	5,475,758	638,246	6,114,004
Profit and total comprehensive income for the period	-	-	-	-	-	-	464,723	464,723	120,757	585,480
Dividends recognised as distributions (Note 9)	-	-	(162,126)	-	-	-	-	(162,126)	-	(162,126)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(12,776)	(12,776)
Dividend receipt under the restricted share incentive scheme	-	3,410	-	-	-	-	-	3,410	-	3,410
At June 30, 2023 (Unaudited)	142,148	(251,419)	864,061	84,667	205,961	(105,033)	4,841,380	5,781,765	746,227	6,527,992
At December 31, 2023 (Audited)	142,148	(247,361)	671,154	84,667	225,254	(104,411)	5,148,604	5,920,055	653,809	6,573,864
Profit and total comprehensive income for the period	-	-	-	-	-	-	298,801	298,801	64,334	363,135
Capital injection to a subsidiary (Note)	-	-	-	-	-	(6,797)	-	(6,797)	6,797	-
Dividends recognised as distributions (Note 9)	-	-	(145,249)	-	-	-	-	(145,249)	-	(145,249)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(15,620)	(15,620)
Dividend receipt under the restricted share incentive scheme	-	3,055	-	-	-	-	-	3,055	-	3,055
At June 30, 2024 (Unaudited)	142,148	(244,306)	525,905	84,667	225,254	(111,208)	5,447,405	6,069,865	709,320	6,779,185

Note: In June 2024, the Group made capital injection of RMB16,470,000 to a subsidiary Zhuolu Longhui Tianfu Yuanbaoshan Development Management Co., Ltd. ("Zhuolu Longhui"). The proportion of shares held by the Group increased from 51% to 70%.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	542,737	865,486
Adjustments for:		
Finance costs	9,113	2,594
Interest income	(10,749)	(7,041)
Gain on fair value changes of financial assets at FVTPL	(27,579)	(22,421)
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
Net loss on disposal of property and equipment	100	87
Net gain on disposal of cemetery assets	—	(9,392)
Share of (profit) loss of a joint venture	(2,339)	15,819
Investment loss from acquisition of a subsidiary	—	393
Impairment losses under expected credit loss model, net of reversal	14,323	19,593
	<u>615,176</u>	<u>946,004</u>
Operating cash flows before movements in working capital		
Increase in restricted deposits	(3,191)	(4,445)
(Increase) Decrease in cemetery assets and inventories	(13,510)	42,198
Payment for acquisition of leasehold land as cemetery assets	(16,646)	(116,779)
(Increase) Decrease in trade and other receivables	(4,082)	144
Decrease in trade and other payables	(86,449)	(16,067)
Increase in contract liabilities	29,350	34,557
	<u>520,648</u>	<u>885,612</u>
Cash generated from operations		
Income taxes paid	(182,098)	(218,249)
	<u>338,550</u>	<u>667,363</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of and deposits paid for property and equipment and landscape and facilities	(24,353)	(27,177)
Prepayments and purchase of computer software	(2,383)	(6,163)
Payments for concession agreement	(380)	—
Proceeds on disposal of property and equipment	166	498
Proceeds on disposal of cemetery assets	—	12,774
Considerations paid for acquisition of subsidiaries	—	(38,546)
Interest received	7,625	7,164
Received gain from fair value changes of financial assets at FVTPL	19,378	16,364
Withdrawal of time deposits	86,331	33,467
Placement of time deposits	(184,220)	(43,894)
Purchase of financial assets at FVTPL	(399,200)	(594,000)
Withdrawal of financial assets at FVTPL	324,181	327,000
Receipt from liquidation of a partnership	—	86,000
Withdrawal of investment in a joint venture	—	72,340
Classification of cash to assets held for sale	(3,095)	—
Receipt of loan to third parties in connection with a cemetery project	—	48,000
Payment on behalf of a non-controlling shareholder of a subsidiary	(524)	(3,708)
	<u>(176,474)</u>	<u>(109,881)</u>
NET CASH GENERATED USED IN INVESTING ACTIVITIES		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Repayment of loan from a joint venture	—	(80,000)
Repayments of loan from non-controlling shareholders of subsidiaries	—	(4,410)
Loan from non-controlling shareholders of a subsidiary	222	—
Interest paid	(197)	(238)
Dividends paid to non-controlling shareholders of subsidiaries	(50,501)	(12,234)
Dividends paid to owners of the Company	(142,194)	(158,716)
Repayments of leases liabilities	(14,759)	(16,834)
Repayments of other long-term liabilities	(2,959)	(650)
	<u>(210,388)</u>	<u>(273,082)</u>
NET CASH USED IN FINANCING ACTIVITIES	(210,388)	(273,082)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,312)	284,400
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,295,467	1,942,233
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	2,247,155	2,226,633

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

1. GENERAL

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

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than application of certain accounting policies which became relevant to the Group in the current interim period described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended December 31, 2023.

Non-current assets (and disposal groups) held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3. PRINCIPAL ACCOUNTING POLICIES – *continued*

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time, which are mandatory effective for the Group's annual period beginning on January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

4A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical market		
Mainland China	<u>1,099,991</u>	<u>1,524,542</u>
Timing of revenue recognition		
A point in time	<u>1,060,041</u>	<u>1,500,144</u>
Over time	<u>39,950</u>	<u>24,398</u>
Total	<u><u>1,099,991</u></u>	<u><u>1,524,542</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

4B. OPERATING SEGMENTS

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

Segment revenues and results

	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
<i>For the six months ended June 30, 2024</i>						
<i>(unaudited):</i>						
External sales	906,082	184,083	9,826	1,099,991	—	1,099,991
Inter-segment sales	—	—	5,233	5,233	(5,233)	—
Total	906,082	184,083	15,059	1,105,224	(5,233)	1,099,991
Segment profit (loss)	492,814	25,840	(6,660)	511,994	243	512,237
Other income, gains and losses						37,274
Share of profit of a joint venture						2,339
Finance costs						(9,113)
Profit before taxation						542,737
	Burial services RMB'000	Funeral services RMB'000	Other services RMB'000	Segment Total RMB'000	Eliminated RMB'000	Total RMB'000
<i>For the six months ended June 30,</i>						
<i>2023 (unaudited):</i>						
External sales	1,287,173	224,004	13,365	1,524,542	—	1,524,542
Inter-segment sales	—	—	7,021	7,021	(7,021)	—
Total	1,287,173	224,004	20,386	1,531,563	(7,021)	1,524,542
Segment profit (loss)	801,603	46,769	(4,525)	843,847	1,311	845,158
Other income, gains and losses						38,741
Share of loss of a joint venture						(15,819)
Finance costs						(2,594)
Profit before taxation						865,486

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

4B. OPERATING SEGMENTS – *continued*

Geographical information

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

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

5. FINANCE COSTS

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on:		
– Borrowings	5,500	—
– Loans from non-controlling shareholders of subsidiaries	400	459
– Lease liabilities	1,216	1,394
– Other long-term liabilities	1,997	741
Total finance costs	<u>9,113</u>	<u>2,594</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

6. OTHER INCOME, GAINS AND LOSSES

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest income — bank deposits	10,749	7,041
Gain on fair value changes of financial assets at FVTPL	27,579	22,421
Government grants	2,692	17,057
Net foreign exchange (loss) gain	(2,506)	6,996
Management service income	580	3,408
Investment loss	—	(393)
Net loss on disposal of long-term assets and provision for tax related losses	(782)	(15,783)
Donation	(621)	(238)
Others	(417)	(1,768)
Total	<u>37,274</u>	<u>38,741</u>

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Staff costs, including remuneration of the Directors of the Company (the “Directors”):		
Salaries, wages, bonus and other benefits	238,414	258,733
Retirement benefits scheme contributions	17,233	16,330
Total staff costs	<u>255,647</u>	<u>275,063</u>
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

8. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PRC Enterprise Income Tax		
Current period	162,288	236,854
Under provision in prior years	162	474
Deferred tax (Note 15)	17,152	42,678
	<u>179,602</u>	<u>280,006</u>

9. DIVIDENDS

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period		
2023 Final — Hong Kong Dollar (“HK\$”) 6.86 cents (2023: 2022 final dividend — HK\$7.58 cents) per share	<u>145,249</u>	<u>162,126</u>

During the current interim period, a final dividend of HK\$6.86 cents per share in respect of the year ended December 31, 2023 (six months ended June 30, 2023: HK\$7.58 cents per share in respect of the year ended December 31, 2022) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to approximately RMB145,249,000 (six months ended June 30, 2023: RMB162,126,000). In addition, in March 2024, the Company has declared a special dividend of HK\$21.39 cents per share for 2023, which is expected to be paid on October 31, 2024.

Subsequent to the end of the current interim period, the Directors have declared an interim dividend of HK\$6.38 cents per share (six months ended June 30, 2023: HK\$9.06 cents per share).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

10. EARNINGS PER SHARE

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

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

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

During the period, the Group acquired property and equipment of approximately RMB24,781,000 (six months ended June 30, 2023: RMB55,296,000).

During the period, the Group disposed of property and equipment with carrying amount of approximately RMB266,000 (six months ended June 30, 2023: RMB585,000) for cash proceeds of approximately RMB166,000 (six months ended June 30, 2023: RMB498,000) resulting in losses of RMB100,000 on disposal (six months ended June 30, 2023: RMB87,000).

As at June 30, 2024, the formal title certificates for certain buildings of the Group with carrying value of approximately RMB87,617,000 (December 31, 2023: RMB79,425,000) had not been obtained.

During the period, the Group entered into several new lease agreements with lease terms ranged from 2 to 10 years (six months ended June 30, 2023: ranged from 2 to 5 years). The Group is required to make regular fixed payments to the lessors. Upon lease commencement, the Group recognised right-of-use assets of RMB17,683,000 (six months ended June 30, 2023: RMB5,305,000) and lease liabilities of RMB17,683,000 (six months ended June 30, 2023: RMB5,305,000).

During the period, the Group acquired intangible assets of approximately RMB8,082,000 (six months ended June 30, 2023: RMB2,997,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

12. GOODWILL

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

	RMB'000
COST	
At January 1, 2024 (Audited)	1,129,049
Less: Assets classified as held for sale (Note 21)	<u>(37,594)</u>
At June 30, 2024 (Unaudited)	<u>1,091,455</u>

13. CEMETERY ASSETS

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

14. INVESTMENT IN A JOINT VENTURE

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Jiaxing Fuji Equity Investment Partnership (Limited Partnership)		
Cost of investment in a joint venture	79,820	79,820
Share of loss of a joint venture	<u>(35,297)</u>	<u>(37,636)</u>
	<u>44,523</u>	<u>42,184</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

15. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and preceding interim periods:

	Withholding tax on undistributed profit from the PRC ^(note 1) RMB'000	Contract liabilities RMB'000	Tax losses RMB'000	ECL and Inventory provision allowance RMB'000	Fair value adjustment ^(note 2) RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2023 (audited)	—	59,560	17,817	1,884	(132,186)	(15,698)	15,698	(52,925)
(Charge) Credit to profit or loss (Note 8)	(51,636)	8,307	(4,025)	3,321	1,154	2,276	(2,075)	(42,678)
At June 30, 2023 (unaudited)	(51,636)	67,867	13,792	5,205	(131,032)	(13,422)	13,623	(95,603)
At January 1, 2024 (audited)	(87,357)	70,908	16,883	1,774	(126,770)	(11,796)	13,092	(123,266)
(Charge) Credit to profit or loss (Note 8)	(22,709)	4,180	(73)	3,519	(1,170)	(1,899)	1,000	(17,152)
At June 30, 2024 (unaudited)	(110,066)	75,088	16,810	5,293	(127,940)	(13,695)	14,092	(140,418)
Included Liabilities associated with assets classified as held for sale	—	—	—	—	1,819	—	—	1,819

Note 1: Such withholding tax has been accrued and will be paid out only when relevant profits are remitted from Mainland China subsidiaries to the Hong Kong company.

Note 2: Fair value adjustment mainly refers to fair value changes of financial assets at FVTPL and revaluation of property and equipment and cemetery assets upon the business combination arose from acquisition of subsidiaries.

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

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Deferred tax assets	99,594	92,871
Deferred tax liabilities	(238,193)	(216,137)
	(138,599)	(123,266)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

16. INVENTORIES

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

17. TRADE AND OTHER RECEIVABLES

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Trade receivables	146,439	144,131
Less: Allowance for credit losses	<u>(18,341)</u>	<u>(5,018)</u>
	<u>128,098</u>	<u>139,113</u>
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
Loans to third parties in connection with cemetery projects	12,192	12,192
Receivables from disposal of equity investment (Note)	—	30,861
Others	<u>11,140</u>	<u>12,615</u>
Less: Allowance for credit losses	<u>(1,000)</u>	<u>—</u>
Total trade and other receivables	<u>170,507</u>	<u>222,383</u>

Note: In December 2023, Shanghai FSY Industry Group Co., Ltd. ("Shanghai Fu Shou Yuan") entered into an agreement with the controlling shareholder of Changchun Huaxia Cemetery Co., Ltd. ("Huaxia Cemetery") to dispose its equity interest for a consideration of RMB30,861,000. Therefore, as at December 31, 2023, the equity investment in Huaxia Cemetery was derecognized and the above-mentioned consideration was fully received in January 2024.

Trade and other receivables of RMB986,000 as at June 30, 2024 have been classified as part of a disposal group held for sale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

17. TRADE AND OTHER RECEIVABLES – *continued*

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

	June 30, 2024 RMB'000 (Unaudited)	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 but less than four years	2,719	840
Over four years but less than five years	275	628
	<u>128,098</u>	<u>139,113</u>

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

Movement of loss allowance on trade receivables for the period ended June 30, 2024:

	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At January 1, 2024 (Audited)	<u>895</u>	<u>4,123</u>	<u>5,018</u>
— Credit losses recognised	<u>—</u>	<u>13,323</u>	<u>13,323</u>
At June 30, 2024 (Unaudited)	<u>895</u>	<u>17,446</u>	<u>18,341</u>

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

Unlisted cash management products

During the period, the Group entered into a number of cash management products as part of its treasury management.

Details of the cash management products as at June 30, 2024 are as follows:

Banks	Name of products (Note)	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal- guaranteed
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
Subtotal		RMB	350,092			
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
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
Subtotal		RMB	121,757			
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
Subtotal		RMB	206,720			
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 (嘉鑫回收(法人版))	RMB	20,000	Redeemable on call after 1 work day on work day	2.40%~2.80%	N
Subtotal		RMB	160,583			
Total		RMB	890,582			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

Unlisted cash management products – *continued*

Details of the cash management products as at December 31, 2023 are as follows:

Banks	Name of products (Note)	Currency	Amount RMB'000	Term/call date	Expected yield rate	Principal- guaranteed
Shanghai Pudong Development Bank	Tian Tian Li Pu Tian Tong Ying (天添利浦天同盈1號)	RMB	91,202	Redeemable on call after 1 work day on work day	2.37%	N
Shanghai Pudong Development Bank	Tian Tian Li Pu Hui Plan (“天添利普惠計劃”)	RMB	147,934	Redeemable on call after 1 work day on work day	2.19%	N
Shanghai Pudong Development Bank	Gong Si Tian Li (公司添利23JG5171期)	RMB	30,277	February 2, 2024	0.10%	Y
Subtotal		RMB	269,413			
Bank of Shanghai	Yi Jing Ling (易精靈)	RMB	50,000	Redeemable on call after 1 work day on work day	1.95%	N
Shanghai Rural Commercial Bank	Ji Ji Xin Li (公司款季季鑫利3個月定開)	RMB	35,206	Redeemable on call after 90 work days on work day	2.45%~3.35%	N
Shanghai Rural Commercial Bank	Tian Tian Ying (天天盈C款)	RMB	31,109	Redeemable on call after 1 work day on work day	2.18%	N
Shanghai Rural Commercial Bank	Xin Zeng Li (鑫增利19026期)	RMB	30,057	Redeemable on call after 180 work days on work day	2.65%~3.55%	N
Subtotal		RMB	96,372			
China Industrial Bank	Jin Xue Qiu Wen Li Ji Ji Feng (金雪球穩利季季豐)	RMB	101,737	March 2, 2024	3.00%~3.50%	N
China Industrial Bank	Jin Xue Qiu Wen Li Lu Lu Fa (金雪球穩利陸陸發)	RMB	101,696	June 2, 2024	3.30%~3.80%	N
Subtotal		RMB	203,433			
China Construction Bank	Heng Ying Fa Ren Ban (恒贏(法人版))	RMB	157,283	Redeemable on call after 1 work day on work day	2.04%	N
Subtotal		RMB	157,283			
Total		RMB	776,501			

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

The cash management products have been accounted for as financial assets at FVTPL on initial recognition. In the opinion of the Directors, the fair value of cash management products at June 30, 2024 approximated their carrying amounts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

19. TIME DEPOSITS

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
– RMB	442,287	339,415
– US Dollar (“US\$”)	29,601	28,331
	<u>471,888</u>	<u>367,746</u>
Analysed for reporting purposes as:		
Current assets	267,255	167,746
Non-current assets	204,633	200,000
	<u>471,888</u>	<u>367,746</u>

As at June 30, 2024, the Group had fixed-term deposits of RMB471,888,000 in banks 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).

20. BANK BALANCES AND CASH

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

	June 30, 2024 (Unaudited)	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:

	June 30, 2024 RMB'000 (Unaudited)	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>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

21. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In June 2024, Shanghai Fu Shou Yuan entered into an agreement with the non-controlling shareholder of Zhuolu Longhui to dispose of its 70% equity interest in Zhuolu Longhui for a consideration of RMB43,500,000. The assets 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 financial position. Zhuolu Longhui is included in the Group's burial services activities for segment reporting purposes (see Note 4B).

The net proceeds of disposal are expected to exceed the net carrying amount of the disposal group and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Zhuolu Longhui classified as held for sale are as follows:

	June 30, 2024 RMB'000
Property and equipment	16,481
Cemetery assets	32,080
Goodwill (Note 12)	37,594
Right-of-use assets	1,165
Trade and other receivables (Note 17)	986
Bank balances and cash	3,095
Total assets classified as held for sale	<u>91,401</u>
Trade and other payables (Note 22)	43,475
Lease liabilities	1,981
Deferred tax liabilities (Note 15)	1,819
Other long-term liabilities	<u>227</u>
Total liabilities classified as held for sale	<u>47,502</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

22. TRADE AND OTHER PAYABLES

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
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 (Note)	—	43,377
Others	<u>67,293</u>	<u>57,523</u>
	<u><u>547,343</u></u>	<u><u>658,344</u></u>

Note: Reimbursed payables due to third parties of RMB43,377,000 were recognized at the date of acquisition of Zhuolu Longhui, which have been classified as part of a disposal group held for sale as at June 30, 2024.

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

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
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 181–365 days.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

23. SHARE CAPITAL

	Number of shares	Amount US\$	
Authorised			
At January 1, 2023 (audited), June 30, 2023 (unaudited), January 1, 2024 (audited), and June 30, 2024 (unaudited)			
— Ordinary shares of US\$0.01 each	<u>20,000,000,000</u>	<u>200,000,000</u>	
	Number of shares	Amount US\$	Shown in the condensed consolidated financial statements as RMB'000
Issued and fully paid:			
At January 1, 2023 (Audited), June 30, 2023 (Unaudited), January 1, 2024 (Audited), June 30, 2024 (Unaudited)			
	<u>2,319,863,422</u>	<u>23,198,634</u>	<u>142,148</u>

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

24. SHARE BASED COMPENSATION

Restricted Share Incentive Scheme

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

As at June 30, 2024, there were 48,800,000 treasury shares held through the trustee of the restricted share incentive scheme, and no such shares have been granted during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	June 30, 2024 (unaudited)	December 31, 2023 (audited)		
Financial assets at FVTPL	Cash management products in PRC with fair value of RMB890,582,000	Cash management products in PRC with fair value of RMB776,501,000	Level 3	Discounted cash flows Key unobservable input are: (1) Expected return; (2) Risk-adjusted discount rate (Note)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets at FVTPL RMB'000
At January 1, 2023 (audited)	487,883
Total gains in profit or loss	22,421
Purchase	594,000
Settlement	<u>(343,364)</u>
At June 30, 2023 (unaudited)	<u>760,940</u>
At January 1, 2024 (audited)	776,501
Total gains in profit or loss	27,579
Purchase	399,200
Settlement	<u>(312,698)</u>
At June 30, 2024 (unaudited)	<u>890,582</u>

Total gains for the period included in profit of RMB27,579,000 relates to financial assets as FVTPL held at the end of current reporting period (for the six-month ended June 30, 2023: a gain of RMB22,421,000). Fair value gains on financial assets at FVTPL are included in 'other income, gains and losses'.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.

26. CONTINGENCIES AND COMMITMENTS

Capital and other commitments

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Acquisition of property and equipment and cemetery assets:		
– contracted for but not provided	<u>19,734</u>	<u>22,834</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2024

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	For the six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Directors' fees	4,320	4,320
Other emoluments		
Discretionary bonus	1,000	1,000
Contributions to retirement benefits scheme	94	94
	<u>5,414</u>	<u>5,414</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

DEFINITIONS AND GLOSSARY

“Alliance Rise”	Alliance Rise Limited, a limited liability company incorporated in Hong Kong on May 8, 2015, one of the Company’s Shareholders and a direct wholly-owned subsidiary of Zhongfu
“ASP”	average unit selling price
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Changchun Huaxia Cemetery”	a cemetery in Changchun City of Jilin Province and operated by Changchun Huaxia Cemetery Co., Ltd.* (長春華夏陵園有限公司), a limited company established under the laws of PRC
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “our Company” or “Fu Shou Yuan”	Fu Shou Yuan International Group Limited (福壽園國際集團有限公司), a limited liability company incorporated under the laws of the Cayman Islands on January 5, 2012
“Director(s)”	the director(s) of the Company
“EIT Law”	the Law of the PRC on Enterprise Income Tax
“FSG Holding”	FSG Holding Corporation, a company incorporated in BVI on December 6, 2011 and one of the Company’s Shareholders
“FSY Hong Kong”	Fu Shou Yuan Group (Hong Kong) Limited, a limited liability company incorporated in Hong Kong on October 10, 2011. It is a direct owned subsidiary of the Company
“Grand Fire”	Grand Fire Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Lu Hesheng (陸鶴生), one of the non-executive Directors of the Company

DEFINITIONS AND GLOSSARY

“Group”, “our Group”, “us”, “we” or “Fu Shou Yuan Group”	the Company and its subsidiaries
“Heze Fuluyuan”	Heze Fuluyuan Cemetery Management Co., Ltd.* (菏澤福祿源公墓管理有限公司), a limited company established under the laws of the PRC and a non-wholly owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hongfu”	Shanghai Hongfu Investment Development Co., Ltd.* (上海鴻福投資發展有限公司), a limited liability company established in the PRC on November 28, 2000 and owned as to 50% by NGO 1 and 50% by NGO 2, one of the Company’s Shareholders
“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
“NGO 1”	Shanghai Zhongmin Elderly Affairs Development Service Centre* (上海中民老齡事業開發服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on facility developments, and one of the Company’s indirect Shareholders
“NGO 2”	Shanghai Zhongmin Elderly Affairs Consultancy Service Centre* (上海中民老齡事業諮詢服務中心), a private non-enterprise unit (民辦非企業單位) established in the PRC on July 26, 2013 and administered by Shanghai Qingpu Administration of Civil Affairs with an objective of furthering social welfare benefits, with an emphasis on advisory services, and one of the Company’s indirect Shareholders
“Peaceful Field”	Peaceful Field Limited, a limited liability company incorporated in BVI on July 2, 2013, and wholly-owned by Mr. Wang Jisheng (王計生), one of the executives Directors of the Company

DEFINITIONS AND GLOSSARY

“Perfect Score”	Perfect Score Group Limited, a limited liability company incorporated in BVI on June 18, 2015, one of the Company’s Shareholders and a direct wholly-owned subsidiary of Alliance Rise
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
“Shanghai Fu Shou Yuan”	a cemetery in Qingpu District of Shanghai and operated by Shanghai FSY Industry Group Co., Ltd.* (上海福壽園實業集團有限公司), formerly known as Shanghai FSY Industry Development Co., Ltd.* (上海福壽園實業發展有限公司), a limited company established under the laws of the PRC and a subsidiary of the Company
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square meters
“Stock Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States
“Wish and Catch”	Wish and Catch Limited, a limited liability company incorporated in BVI on June 28, 2013, wholly-owned by Mr. Bai Xiaojiang (白曉江), the chairman and one of the executive Directors of the Company

DEFINITIONS AND GLOSSARY

“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

“Zhongfu” China Zhongfu Industrial Group Limited* (中國中福實業集團有限公司), a limited liability company established in the PRC on July 15, 1985 and directly wholly-owned by Hongfu, and one of the Company’s Shareholders

“%” per cent.

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