

October 2, 2026

To the Independent Board Committee and the Qualifying Shareholders

Dear Sirs,

**UNCONDITIONAL VOLUNTARY CASH PARTIAL OFFER
BY AFG SECURITIES LIMITED FOR AND ON BEHALF OF
GONG HAILIN
TO ACQUIRE UP TO 115,000,000 SHARES IN
FU SHOU YUAN INTERNATIONAL GROUP LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser with the approval of the Independent Board Committee to advise the Qualifying Shareholders in respect of the Partial Offer. Details of the Partial Offer are set out in the Response Document to the Shareholders dated October 2, 2026, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

THE PARTIAL OFFER

On September 1, 2026 (after trading hours of the Stock Exchange), the Offeror notified the Board of a firm intention to make the Partial Offer (in compliance with the Takeovers Code) to acquire up to 115,000,000 Offer Shares (representing approximately 4.96% of the Company's issued share capital as at the Latest Practicable Date) at the Offer Price of HK\$0.1 per Offer Share. The Offer Document accompanied with the Form of Acceptance were despatched on September 18, 2026.

INDEPENDENT BOARD COMMITTEE

Pursuant to the Takeovers Code, the Board has established the Independent Board Committee, comprising Mr. Tan Leon Li-an, Mr. Lu Hesheng, Mr. Huang James Chih-Cheng, Ms. Liang Yanjun, Mr. Shi Xiaobei, Mr. Chen Gui, Mr. Ng Michael Chiu Ho, Mr. Zhao Guangbin, Mr. Zhou Quan and Ms. Qian Qian, being all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Partial Offer, to give advice to the Qualifying Shareholders in respect of the Partial Offer. We, Octal Capital Limited, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee and the Qualifying Shareholders in respect of the Partial Offer.

During the last two years, there was no engagement between the Company or the Offeror and us. As at the Latest Practicable Date, we are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Partial Offer. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed by the Directors to us are true, accurate and complete in all material aspects. We have also relied on our discussion with the Board and/or the management of the Company, given in writing or orally, regarding the Company and the Partial Offer, including the information and representations contained in the Offer Document and the Response Document. We have also assumed that all statements of belief, opinion and intention made by the Board and the management of the Company and/or the Offeror in the Offer Document or the Response Document were reasonably made after due enquiry. We have also reviewed, amongst others, (i) the Offer Announcement and the Offer Document; (ii) the Response Document; (iii) the annual reports of the Company for the years ended December 31, 2023 (the “**2023 Annual Report**”) and 2024 (the “**2024 Annual Report**”) and the interim report of the Company for the six months ended June 30, 2025 (the “**2025 Interim Report**”); (iv) the announcements issued by the Company in relation to (a) delay in publication of annual results and despatch of annual report for the year ended December 31, 2025 due to the Questionable Transactions dated March 19, 2026, March 31, 2026 and April 27, 2026; (b) suspension of trading dated March 20, 2026; (c) the Resumption Guidance dated June 18, 2026; (d) delay in publication of interim results and despatch of interim report for the six months ended June 30, 2026 dated August 14, 2026; and (e) the announcements issued by the Company from September 1, 2026, being the date of announcement by the Offeror in relation to the Partial Offer, up to the Latest Practicable Date. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Offer Document and the Response Document were true up to the time of the Latest Practicable Date, there are no other matters the omission would make any statement herein misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the Directors in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document at the time when they were made and continued to be so up to the Latest Practicable Date the omission of which would make any statement in the Response Document misleading.

The information contained in the Response Document relating to the Offeror and parties acting in concert with her and the terms of the Partial Offer has been extracted or derived from the Offer Document, which the Offeror accepts full responsibility for the accuracy.

Should there be any subsequent material changes which occur during the period from the date of the Response Document up to the close of the Partial Offer, including but not limited to the publication of the annual results of the Company for the year ended December 31, 2025, we will notify the Independent Board Committee and the Qualifying Shareholders as soon as possible.

We have not considered the tax implications on the Qualifying Shareholders of their acceptances or non-acceptances of the Partial Offer (as the case may be) since these are particular to their own individual circumstances. In particular, the Qualifying Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position regarding the Partial Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION ON THE PARTIAL OFFER

In arriving at our opinion in respect of the Partial Offer, we have taken into consideration the following principal factors and reasons:

1. Principal terms of the Partial Offer

The Partial Offer is being made by AFG Securities, for and on behalf of the Offeror, on basis set out below:

For each Offer Share. HK\$0.1 in cash

Acceptance of the Partial Offer by any Qualifying Shareholder will constitute a warranty by such Shareholder to the Offeror that the Shares sold by it to the Offeror under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Closing Date.

As at the Latest Practicable Date, the Company had 2,319,863,422 Shares in issue.

The Partial Offer is extended to all Qualifying Shareholders in accordance with the requirements of the Takeovers Code.

Pre-Conditions to the Partial Offer

As disclosed in the Offer Announcement, the making of the Partial Offer is subject to: (i) the obtaining of the consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code; (ii) the granting of the waiver from the Executive from the note to the definition of “Offer” under the Takeovers Code in connection with making the Partial Offer at a proposed Offer Price substantially below the market price of the Shares (i.e. at a discount of more than 50% to the closing price of the Shares on the Last Trading Day and the five-day average closing price before such day); and (iii) the granting of the waiver from the Executive from the requirement under Rule 28.7 of the Takeovers Code in connection with the making of the Partial Offer for a specified range (rather than a precise number) of Shares.

As disclosed in the announcement of the Offeror dated September 14, 2026 in relation to satisfaction of pre-conditions to the Partial Offer, the Offeror announced that all pre-conditions to the Partial Offer had been fulfilled on September 14, 2026.

Unconditional Partial Offer

For the avoidance of doubt, the Partial Offer, once made, is not conditional on the level of acceptances. Pursuant to Rule 15.1 of the Takeovers Code, where the board circular is posted after the date of the Offer Document, the Partial Offer must be initially open for acceptance for at least 28 days after the date of the Offer Document. Should there be any revision, extension, lapse or withdrawal of the Partial Offer, an announcement will be made in accordance with the Takeovers Code and the Listing Rules.

As at the Latest Practicable Date, the Company did not have outstanding dividends which had been declared but not yet paid. For the period up to and including the close of the Partial Offer, the Company does not intend to declare, make or pay any further dividend or other distribution in respect of the Shares. This statement relates only to such period and should not be construed as an indication of the Company's dividend arrangements following the close of the Partial Offer.

Odd lots

As stated in the Offer Document, Qualifying Shareholders should note that acceptance of the Partial Offer may result in holding odd lots of Shares. Accordingly, AFG Securities has been appointed by the Offeror to match sales and purchases of odd lot holdings of Shares on a best efforts basis for a period of six weeks following the close of the Partial Offer to assist such Shareholders in disposing their odd lots or to top up their odd lots to whole board lots. Shareholders should note that the matching of odd lots is not guaranteed.

Further details of the Partial Offer including, among others, the expected timetable, terms and procedures of acceptance of the Partial Offer, are set out in the Offer Document, the Form of Acceptance and further announcements made/to be made by the Offeror (if applicable).

2. Background of the Group

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 since December 19, 2013.

As disclosed in the 2025 Interim Report, the Company is a leading funeral and life technology service provider in the PRC and is committed to innovation-driven and high-quality development. The Group leverages its industry-leading operational philosophy, multi-engine drive, and steady development strategy to continuously improve service quality, advance digital transformation, and uphold the 3JI concept (Monuments beautification, Memories thickening, Heritage lengthening). As at the Latest Practicable Date, the Group's footprint covers over 40 cities in 19 provinces, autonomous regions and municipalities in the PRC which includes the Group's controlled operating cemeteries and funeral facilities in major cities across 17 provinces, municipalities and autonomous regions in the PRC. The Group's expansion plans in other major provinces, capital cities and major uncharted areas across the PRC are progressing steadily.

In summary, the Group's principal business comprises three segments: (i) burial services, including sale of burial plots and provision of cemetery maintenance services; (ii) funeral services, encompassing planning of funeral arrangement and interment, organizing and hosting of the funeral; and (iii) other services including provision of landscape and garden design services, construction services, and production and sale of cremation machines and the related maintenance services.

3. Historical financial information and prospects of the Group

Given that the annual results for the year ended December 31, 2025 and the interim results for the six months ended June 30, 2026 have not been published by the Company as at the Latest Practicable Date, we set out below a summary of (i) the audited consolidated financial information of the Group for the three years ended December 31, 2022 (“FY2022”), 2023 (“FY2023”) and 2024 (“FY2024”) as extracted from the 2023 Annual Report and 2024 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended June 30, 2024 (“1H2024”) and 2025 (“1H2025”), respectively, as extracted from the 2025 Interim Report:

Financial performance of the Group

	For the year ended			For the six months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue					
— Burial services	1,748,898	2,165,253	1,709,205	906,082	477,375
— Funeral services	359,427	397,886	339,191	184,083	121,873
— Other services	87,629	78,542	37,436	15,059	14,628
— Inter-segment elimination	(24,328)	(13,652)	(8,348)	(5,233)	(3,026)
Total revenue	2,171,626	2,628,029	2,077,484	1,099,991	610,850
Operating profit/(loss):					
— Burial services	986,017	1,304,277	706,754	492,814	(214,162)
— Funeral services	48,357	64,413	28,664	25,840	(5,310)
— Other services	93	1,847	(27,425)	(6,660)	(10,179)
— Inter-segment elimination	(4,140)	1,662	1,894	243	402
Total operating profit/(loss)	1,030,327	1,372,199	709,887	512,237	(229,249)
Profit for the year/period attributable to					
— Owners of the Company	658,596	791,240	373,134	298,801	(261,411)
— Non-controlling interests	152,133	184,676	124,194	64,334	(2,462)
Total profit/(loss) for the year/period	810,729	975,916	497,328	363,135	(263,873)

Comparison between FY2022 and FY2023

The Group recorded total revenue and operating profit of approximately RMB2,628.0 million and RMB1,372.2 million for FY2023, representing increases by approximately 21.0% and 33.2%, respectively as compared with those for FY2022. The growth in revenue and operating profit was primarily driven by a rebound in burial services, which benefited from the release of accumulated market demand that had been suppressed during FY2022 amid epidemic prevention and control measures. As conditions normalized and cemeteries resuming normal operation, the significant influx of customers resulted in both higher sales volumes and an improved average selling price.

Net profit of the Group for FY2023 amounted to approximately RMB975.9 million, representing an increase by RMB165.2 million or 20.4%, as compared with RMB810.7 million for FY2022. The increase in net profit was mainly due to the increase in operating profit by approximately RMB341.9 million, partially offset by the increase in income tax expense by approximately RMB174.2 million.

Comparison between FY2023 and FY2024

The Group recorded total revenue and operating profit of approximately RMB2,077.5 million and RMB709.9 million, representing decreases by approximately 20.9% and 48.3%, respectively, as compared to those for FY2023. Such decrease represented weakened performances across all three segments of burial, funeral and other services. The decrease in revenue was primarily attributable to (i) the high comparative base for FY2023 led by the lifting of epidemic prevention and control measures which drove a strong rebound in cemetery and funeral activity; and (ii) the cessation of certain funeral projects since the latter half of FY2023 upon the expiration of their cooperation agreements with local partners. The steeper contraction in operating profit reflected the Group's rigid cost base, mainly comprising staff costs, construction costs, consumed materials and goods, depreciation and amortization and other general operating expenditures, amid fall in revenue.

Net profit of the Group for FY2024 amounted to approximately RMB497.3 million, representing a decrease by RMB478.6 million or 49%, as compared with RMB975.9 million for FY2023. The decrease in net profit was mainly due to the decrease in revenue by approximately RMB550.5 million and impairment losses of RMB104.2 million being recognized on property and equipment, intangible assets, cemetery assets and goodwill in connection with two cemetery projects after evaluation of factors including their updated business environment and projection of operating cash flow and impairment losses of RMB23.6 million under expected credit loss model, net of reversal, partially offset by the gain from exemption of reimbursed payables due to third parties of approximately RMB43.4 million and decrease in income tax expense by approximately RMB142.5 million.

Comparison between 1H2024 and 1H2025

The Group recorded total revenue of approximately RMB610.9 million for 1H2025, representing a decrease of approximately RMB489.1 million or 44.5%, as compared with approximately RMB1,100.0 million for 1H2024. The decline was primarily attributable to two factors: (i) short-term performance pressure on the Group due to macroeconomic headwinds and cautious customer spending; and (ii) the impact of value-added tax ("VAT") on burial and funeral services, which reduced net service revenue after VAT deductions.

The Group recorded an operating loss of approximately RMB229.2 million for 1H2025, down approximately RMB741.5 million from an operating profit of approximately RMB512.2 million for 1H2024. Such decrease was mainly attributable to the significant reduction in revenue alongside the increase in operating expenditure, including (i) impairment losses of RMB217.6 million being recognized on property and equipment, intangible assets, cemetery assets and goodwill in connection with several cemetery projects with re-assessed the updated business environment and projection of operating cash flow and (ii) increased tax expenses incurred by certain subsidiaries due to variable tax factors.

Net loss of the Group for 1H2025 amounted to approximately RMB263.9 million, down approximately RMB627.0 million from net profit of approximately RMB363.1 million for 1H2024. The deterioration mainly reflected the decrease in operating profit, partially offset by lower income tax expenses.

Financial position of the Group

	As at December 31,			As at
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Non-current assets	4,359,209	4,634,226	4,624,213	4,390,160
Current assets				
— Inventories	558,958	557,991	576,326	558,421
— Trade and other receivables	423,116	222,383	132,922	144,049
— Financial assets at fair value through profit or loss	487,883	776,501	589,176	311,892
— Time deposits	33,467	167,746	188,375	171,238
— Bank balances and cash	1,942,233	2,295,467	2,056,626	1,622,742
— Contract assets	11,025	13,473	13,559	12,976
— Assets classified as held for sale	—	—	—	26,801
Total current assets	3,456,682	4,033,561	3,556,984	2,848,119
Total assets	7,815,891	8,667,787	8,181,197	7,238,279
Non-current liabilities	667,766	835,737	861,949	815,080
Current liabilities				
— Trade and other payables	699,530	658,344	667,564	864,674
— Borrowings	—	200,000	—	—
— Lease liabilities	25,239	23,156	19,752	13,400
— Contract liabilities	96,456	105,808	123,435	116,791
— Loans from non-controlling shareholders of subsidiaries	32,958	29,438	30,466	30,472
— Dividends payable	—	36,000	110,124	448,655
— Income tax liabilities	179,938	205,440	212,079	83,563
— Liabilities associated with assets classified as held for sale	—	—	—	13
Total current liabilities	1,034,121	1,258,186	1,163,420	1,557,568
Total liabilities	1,701,887	2,093,923	2,025,369	2,372,648
Net assets	6,114,004	6,573,864	6,155,828	4,865,631
Net assets attributable to Shareholders	5,475,758	5,920,055	5,561,154	4,291,235
Gearing ratio ^{Note 1}	21.8%	24.2%	24.8%	32.8%

Note:

1. Gearing ratio represents the Group's total liabilities divided by the Group's total assets.

Assets

Total assets of the Group amounted to approximately RMB7,815.9 million, RMB8,667.8 million, RMB8,181.2 million and RMB7,238.3 million as at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, respectively. Total assets increased from approximately RMB7,815.9 million as at December 31, 2022 to approximately RMB8,667.8 million as at December 31, 2023, which was primarily driven by the increase in bank balances and cash and financial assets at fair value through profit or loss (which are primarily short-term financial products offered by banks for cash management), reflecting the strong

performance and cash generation of the Group in FY2023. Total assets subsequently declined to approximately RMB8,181.2 million as at December 31, 2024 and further declined to approximately RMB7,238.3 million as at June 30, 2025. The decrease in total assets during FY2024 was mainly attributable to (i) cash balances used in bank loan repayment of approximately RMB200.0 million and total dividend distributions of approximately RMB852.6 million; (ii) impairment losses recognized on property and equipment, intangible assets, cemetery assets and goodwill of approximately RMB104.2 million based on expectation of business operating environment, in particular the regulatory environment; (iii) impairment losses under expected credit loss model, net of reversal of approximately RMB23.6 million; and (iv) partially offset by the strong net cash inflow from operating activities of approximately RMB708.5 million during FY2024. The decrease in total assets during 1H2025 was mainly attributable to (i) cash balances used in total dividend distributions of approximately RMB677.4 million; and (ii) impairment losses recognized on property and equipment, intangible assets, cemetery assets and goodwill of approximately RMB217.6 million based on expectation of business operating environment.

As at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, current assets represent approximately 44.2%, 46.5%, 43.5% and 39.3% of total assets. Current assets mainly comprised of bank balances and cash, time deposits, financial assets, inventories and receivables. Non-current assets mainly comprised of cemetery assets, goodwill arisen from acquisitions, property and equipment and intangible assets in relation to concession rights and license for funeral services.

We note that the Group maintains a substantial asset base to support its operation. As at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, the carrying amount of cemetery assets (including land, landscape facilities and development costs), right-of-use assets, intangible assets (mainly concession rights) and property and equipment, recognized at cost less accumulated impairments, in total amounted to approximately RMB2,892.8 million, RMB3,044.2 million, RMB2,998.0 million and RMB2,909.2 million respectively. We also note that the Group is cash-rich and has strong liquidity. As at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, bank balances and cash amounted to approximately RMB1,942.2 million, RMB2,295.5 million, RMB2,056.6 million and RMB1,622.7 million respectively and financial assets and time deposit amounted to approximately RMB559.5 million, RMB1,144.2 million, RMB985.2 million and RMB693.7 million respectively.

Liabilities

Total liabilities of the Group amounted to approximately RMB1,701.9 million, RMB2,093.9 million, RMB2,025.4 million and RMB2,372.6 million as at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, respectively. Total liabilities increased from approximately RMB1,701.9 million as at December 31, 2022 to approximately RMB2,093.9 million as at December 31, 2023, primarily due to an increase in short term unsecured bank borrowings of RMB200 million during FY2023. During the same year, the Company also made a long term time deposit of RMB200.0 million. Total liabilities lowered to approximately RMB2,025.4 million as at December 31, 2024, mainly as a result of the repayment of the bank borrowings, partially offset by the increase in payable for special dividend proposed for FY2024 and addition of lease liabilities for new leased properties. Total liabilities increased to approximately RMB2,372.6 million as at June 30, 2025, mainly attributable to the increase in current liabilities, in particular trade and other payables and dividends payable, during 1H2025.

It should be noted that the Group has no bank borrowings except for a short term bank loan of RMB200 million drawn in FY2023 and was subsequently repaid in FY2024. As at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, trade and other payables, dividends payable and contract liabilities were the major liabilities of the Group, which together accounted for approximately 73.6%, 61.8%, 69.9% and 81.9% of the total liabilities of the Group, respectively.

Gearing

The Group has been maintaining low gearing ratios (representing the Group's total liabilities divided by the Group's total assets) of approximately 21.8%, 24.2%, 24.8% and 32.8% as at December 31, 2022, December 31, 2023, December 31, 2024 and June 30, 2025, respectively. Notwithstanding the recent market adjustments, the Group did not hold any outstanding bank borrowings or other loans except for loans from non-controlling shareholder of approximately RMB30.5 million as at June 30, 2025, and maintained its gearing at a controlled level. This reflects the Group's healthy financial conditions and prudent financial management strategy of limiting leverage in its operations and controlling exposure to interest rate risk.

Dividend

The Group has established a consistent and stable dividend policy to reward Shareholders for their long-standing support and recognition. The Company declared total dividend including interim, special and final dividends of HK37.31 cents and HK54.74 cents per Share to the Shareholders for FY2023 and FY2024, respectively, and declared an interim dividend of HK7.00 cents per Share for the six months ended June 30, 2025, which were all paid subsequent to the declarations.

The Company has a track record of continuously distributing and paying interim, special and final dividends over the years which reflects its sound financial position, disciplined cash flow management, and strategic stability. Moreover, its ability to maintain a strong cash position after making these distributions demonstrates the Company's continued capacity to generate reliable and robust operating cash flows.

Overall financial position and liquidity

As analyzed above, the Group has a strong financial position by maintaining a high level of cash balance and robust liquidity. For the year end of FY2022 to FY2024, the Group has been consistently maintaining a sizeable cash balance (including time deposits and bank balances and cash) above RMB1,900 million and still retained around RMB2,004.6 million as at June 30, 2025. In addition, the Group also held sizable financial assets at fair value through profit or loss ("FVTPL"), being short-term financial products for cash management purpose, which ranged from RMB526 million to RMB777 million from FY2022 to FY2024 and stayed at around RMB311.9 million as at June 30, 2025. Such a robust liquidity position provides a solid foundation for the Group's day-to-day operational needs as well as its longer-term expansion plans.

As at June 30, 2025, the Group had no outstanding bank borrowings and held time deposits, FVTPL and bank balances and cash of approximately RMB2,316.5 million, representing approximately RMB1.00 per Share of the Group (equivalent to approximately HK\$1.18 per Share) ("Cash per Share") which is 11.8 times the Offer Price of HK\$0.10 per Share. The unaudited net asset value attributable to Shareholders as at June 30, 2025 amounted to approximately RMB4,291 million, representing approximately RMB1.85 per Share of the Group (equivalent to approximately HK\$2.18 per Share) ("NAV per Share"), which is approximately 21.8 times the Offer Price. Notably, the substantial multiples reflect the significant level of discount of the Offer Price comparing to the Group's underlying net asset value and cash position.

Industry Overview

With the continued economic and social development of the PRC and the improvement in living standards, consumers have placed increasing emphasis on the quality, diversity and dignity of death care services.

According to the Statistical Communiqués of the PRC on the National Economic and Social Development (中華人民共和國國民經濟和社會發展統計公報) (the "Communiqués") published by the National Bureau of Statistics of the PRC (the "NBS"), urbanisation rate of the PRC reached 67.89% at the end of 2025, representing an increase by approximately 0.89 percentage points as compared to that of the end of 2024, while its urban permanent resident population amounted to approximately 953.8 million. As reported by the Communiqués, the PRC's population aged 60 and above amounted to approximately 323.4 million at the end of 2025, representing 23.0% of its total

population. According to the NBS, the PRC's per capita expenditure on services increased by 7.4% to RMB13,016 in 2024 and further increased by 4.5% to RMB13,602 in 2025, accounting for 46.1% of total per capita consumption expenditure in each of 2024 and 2025. Alongside improving living standards and the continued expansion of service consumption, consumers are expected to attach greater importance to higher-quality, diversified and personalised service offerings. Such changes in consumer preferences are likely to facilitate the service upgrading and long-term development of the death care services industry.

Moreover, revised Funeral Management Regulations (《殯葬管理條例》) has promulgated on December 12, 2025 and came into effect on March 30, 2026, reinforcing the public welfare nature of the death care industry and strengthening the regulatory framework governing funeral facilities, funeral and burial services and related operations. The continued enhancement of the regulatory and service-standard framework is expected to impose more stringent compliance requirements and raise the operational thresholds for market participants. There are uncertainties in the exact impact of the regulatory movements including the actual responses of the market players and local authorities. Nonetheless, we consider that the Group, as a leading participant in the industry with an established operating network, extensive industry experience and compliance capabilities, is comparatively well positioned to adapt to the evolving regulatory environment and further consolidate its market position.

Taking into account the abovementioned macroeconomic, demographic, consumption and regulatory developments, we consider that the industry environment of death care services in the PRC should provide a favorable foundation for the Group's long-term and sustainable development.

Prospect of the Group

According to the 2025 Interim Report, the Group, as a leading provider of funeral and life technology services in the PRC, has maintained an extensive business footprint across 19 provinces, autonomous regions and municipalities in the PRC, and had approximately 2.82 million sq.m. of saleable area for burial plots as at June 30, 2025. During the six months ended June 30, 2025, the Group sold 7,308 burial plots, provided funeral services to 26,007 customers and entered into 10,252 pre-need contracts.

We have obtained and reviewed the operational information of the Group provided by the management of the Company and consider that the Questionable Transactions and the suspension of trading do not have any material impact on the business operations of the Group, which continues to maintain stable sales of burial plots and funeral services to customers and is able to sustain a substantial cash balance, as discussed and evidenced in the subsection headed "Overall financial position and liquidity" above.

As discussed in the Response Document, the Group's principal businesses, service network and day-to-day operations have continued in all material respects as normal and have not experienced any material interruption as a result of the suspension of trading in the Shares. Looking ahead, the Group will continue to build on its existing cemetery and funeral businesses and, taking into account changes in demographic structure, customer needs, industry policies and market conditions, steadily enhance its existing products and services and improve its service quality and operational capabilities.

4. Major development of the Group subsequent to FY2024

Independent Forensic Investigation in relation to the Questionable Transactions

As disclosed in the announcement of the Company dated July 10, 2026, the Special Investigation Committee appointed Ernst & Young (China) Advisory Limited on March 22, 2026 as the independent forensic accounting investigator to undertake the Independent Forensic Investigation into certain matters identified in relation to the Questionable Transactions, which required further verification and assessment and had led to the delay in the publication of the annual results for the year ended December 31, 2025 and the despatch of the annual report for the year ended December 31, 2025. During the preparation of the annual results for the year ended December 31, 2025, the Group noted a payment relating to an asset procurement transaction in the amount of approximately RMB3 million. As at the Latest Practicable Date, the Forensic Accountant has completed its data collection to the extent practicable and substantially completed the Independent Investigation Report. The Forensic Accountant identified a total of 64 Questionable Transactions (excluding five double-counting transactions) within the scope of the Independent Forensic Investigation, amounting to approximately RMB22.8 million in aggregate. Notwithstanding the limitations in the Independent Forensic Investigation, the Board and the Special Investigation Committee consider that the Independent Investigation Report has adequately addressed each of the Questionable Transactions based on best-available information provided. Remedial measures for the Questionable Transactions included replacement of finance personnel responsible for fund review duties in connection with the Questionable Transactions, updated treasury management policy and arrangement of relevant training courses. The Company will, as and when appropriate, announce the further remedial measures and follow-up actions recommended by the Special Investigation Committee, and will make further announcement(s) as soon as practicable in respect of the conclusions and recommendations of the Special Investigation Committee and the Board. Please refer to the announcement of the Company dated September 16, 2026, in relation to the quarterly update on progress of resumption, for further details of the Questionable Transactions. Despite the Questionable Transactions, it was noted that the current amount subject to the Independent Forensic Investigation of approximately RMB22.8 million is relatively insignificant in the context of the Group's overall financial position, representing merely approximately 0.3% of the Group's total assets of approximately RMB7,238.3 million as at June 30, 2025.

The audited annual results for the financial year ended December 31, 2025

As at the Latest Practicable Date, the Company has yet to publish the audited annual results for the financial year ended December 31, 2025. With reference to the announcements of the Company dated March 19, 2026, March 20, 2026, March 31, 2026, April 27, 2026, June 18, 2026 and September 16, 2026, the Company could not publish its annual results for the financial year ended December 31, 2025 by 31 March 2026, and accordingly, trading in the Shares on the Stock Exchange has been suspended since March 20, 2026 and continued to suspend as at the Latest Practicable Date. The delay in publication of the annual results for the financial year ended December 31, 2025 constitutes a non-compliance with Rule 13.49(1) of the Listing Rules. Such non-compliance has led to the receipt of Resumption Guidance from the Stock Exchange as discussed further below. No date has yet been fixed for the relevant publication or dispatch.

The interim results for the six months ended June 30, 2026

As at the Latest Practicable Date, the Company has yet to publish the interim results for the six months ended June 30, 2026. With reference to the announcement of the Company dated August 14, 2026, the Company considers that it will not be able to publish the interim results for the six months ended June 30, 2026 by August 31, 2026 and despatch the interim report for the six months ended June 30, 2026 by September 30, 2026 due to the audit progress in respect of the annual results for the year ended December 31, 2025. The delay in publication of the interim results for the six months ended June 30, 2026 constitutes a non-compliance with Rule 13.49(6) of the Listing Rules. No date has yet been fixed for the relevant publication or dispatch. However, as advised by the management of the Company, the Company is compiling and providing the necessary information and documents requested by the auditor of the Company to complete the audit in respect of the annual results for FY2025 and the review procedures in respect of the interim results for the six months ended June 30, 2026.

Resumption Guidance

Reference is made to the announcement of the Company dated June 18, 2026 in relation to the Resumption Guidance and the announcement of the Company dated September 16, 2026 in relation to, among others, the quarterly update on progress of resumption. On June 16, 2026, the Company received a letter from the Stock Exchange setting out the Resumption Guidance. The Stock Exchange requires the Company to meet all requirements set out in the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules, including but not limited to the conduct of an independent forensic investigation, publication of all outstanding financial results required and addressing any audit modifications, demonstration that there is no reasonable regulatory concern about the integrity, competence and/or character of the

Group's management and/or any persons with substantial influence over the Company's management and operations and engagement of an independent internal control consultant etc., all to the Stock Exchange's satisfaction before trading in its shares is allowed to resume. The Stock Exchange further indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes. In response to the Resumption Guidance, as at the Latest Practicable Date, (i) the Forensic Accountant has substantially completed the Independent Investigation Report, and the Board and the Special Investigation Committee consider that the Independent Investigation Report has adequately addressed each of the Questionable Transactions based on best-available information provided; (ii) the Company will continue to work closely with the auditor of the Company and take all necessary measures to publish all outstanding financial results required under the Listing Rules; (iii) the audit committee and the compliance committee of the Company have commenced the relevant work for the appointment of the internal control consultant for internal control review, which is currently at the stage of shortlisting; (iv) the Board's assessment of the integrity, competence and character of the management and/or any persons with substantial influence over the Company's management and operations will be conducted after the Stock Exchange has completed its enquiries in relation to the Independent Investigation Report and the internal control review has been concluded; (v) the Board considers that the Group continues to maintain business operations of substance that are viable and sustainable, together with sufficient assets to support its operation; and (vi) the Company will continue to keep the Shareholders and other investors informed of any relevant material developments by making further announcement(s) as and when appropriate under the Listing Rules. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on September 19, 2027. As advised by the management of the Company, the Company is taking all practicable steps and implementing the necessary measures to facilitate the resumption of trading as soon as practicable.

5. Scenarios based on the different level of valid acceptances under the Partial Offer

Notwithstanding that there is a potential risk that the listing status of the Company might be cancelled by the Stock Exchange should the Company be unable to fulfill to the requirements under the Resumption Guidance, Qualifying Shareholders should note that the Offeror is making Partial Offer to acquire up to 115,000,000 Offer Shares, representing approximately 4.96% of the Company's issued share capital of the Company.

In the event that valid acceptances are received by the Offeror of an amount not more than 115,000,000 Offer Shares under the Partial Offer, the subject Qualifying Shareholders would be able to realise all of their shareholding tendered and accepted under the Partial Offer at the Offer Price.

In the event that valid acceptance are received by the Offeror exceed 115,000,000 Offer Shares under the Partial Offer, depending on the actual level of Shares being tendered, the number of Offer Shares from each individual Qualifying Shareholder to be taken up by the Offeror will be determined based on the formula as set out under “The Partial Offer — Acceptance of the Partial Offer” in the “Letter from Alpha Financial” of the Offer Document. Hence, under such circumstances, only a portion of the Shares tendered by the Qualifying Shareholders will be taken up by the Offeror and the remaining portion of their shareholding in the Company, i.e. the portion which is not taken up by the Offeror under the Partial Offer and the Shares not tendered by the Qualifying Shareholder (if any), will be retained by the subject Qualifying Shareholder.

Since the identification of the Questionable Transactions which led to the delay in publication of the annual results for the financial year ended December 31, 2025, the Board and the management of the Company have been working closely with its professional advisers and proactively taking all necessary and appropriate steps, including but not limited to, (i) the establishment of Special Investigation Committee to commence an independent investigation into the Questionable Transactions; (ii) the engagement of the Investigator to conduct the Investigation; (iii) the Forensic Accountant has completed data collection to the extent practicable and substantially completed the Independent Investigation Report; (iv) the Audit Committee and the Compliance Committee are at the stage of shortlisting for internal control consultant to review the internal control system of the Company; and (v) progress update announcements on the resumption, to comply with the Resumption Guidance with the aim to resume trading in its Shares on the Stock Exchange as soon as practicable.

In the event that the listing status of the Company is cancelled by the Stock Exchange, Shareholders will be holding Shares in an unlisted public company and there may or may not be an active market for the trading of the Shares as the Shares will no longer be listed on the Stock Exchange.

However, even though the Shares held by the Qualifying Shareholders become delisted as a result of failure to meet all Resumption Guidance by the Company before the deadline, the unlisted status of the Shares does not necessarily mean that the value attributable to the Shares has vanished. In particular, for those Qualifying Shareholder accepting the Partial Offer, they are in effect accepting an offer for the Company at a discount of more than 90% to the NAV per Share of approximately HK\$2.18 based on the unaudited consolidated net asset value attributable to owners of the Company of approximately RMB4,291.2 million as at June 30, 2025, reflecting sound financial position of the Group. We are of the view that the fairness and reasonableness of the Partial Offer should not be solely determined on the potential risk relating to the cancellation of the listing status of the Company, Qualifying Shareholders should consider the value under the Partial Offer, details of our analysis are set out in the paragraph headed “7. Offer Price” and “8. Comparison of other comparable companies” in this letter below as well as the future development of the Company as set out in the paragraph headed “3. Historical financial information and prospects of

the Group” in this letter. The Qualifying Shareholders should exercise caution and consider his/her/its own individual circumstances and investment objectives before making decision on accepting the Partial Offer.

Should the Qualifying Shareholders accept the Partial Offer, it may also result in their holding odd lots of Shares. Accordingly, AFG Securities has been appointed by the Offeror to match sales and purchases of odd lot holdings of Shares on a best efforts basis for a period of six weeks following the close of the Partial Offer to assist such Shareholders in disposing their odd lots or to top up their odd lots to whole board lots. As stated in the Offer Document, Shareholders should note that the matching of odd lots is not guaranteed.

Qualifying Shareholders should also be aware that the realisable price of odd lot Shares may be different from (i) the trading price of board lot Shares prior to the suspension of trading; and (ii) the Offer Price.

Please refer to section headed “Odd lots” in the “Letter from Alpha Financial” of the Offer Document for further details.

6. Information of the Offeror and her intention in relation to the Group

According to the Offer Document, the Offeror is a professional investor with over 10 years’ experience in the financial industry. She has been working as a unit manager at Prudential Hong Kong Limited since September 2025. From July 2013 to October 2014, she worked at the asset management position in the financial markets department of the head office of Bank of Ningbo Company Limited. From November 2014 to November 2019, she worked at the foreign exchange trading position in the financial markets investment headquarters at China Merchants Securities Company Limited. From November 2019 to September 2024, she worked at China Merchants Securities (HK) Co., Limited with her last position as the vice president at the financial markets innovation department. She obtained her Bachelor’s degrees in Economics and Law in 2010 and a Master’s degree in Economics in 2013 from Fudan University, China.

The Offeror stated that the Partial Offer is intended to acquire a passive investment interest in the Company, and that she has no plan or intention to (i) become a substantial Shareholder (as the term is defined in the Listing Rules); (ii) to seek control or consolidate control (as the term is defined in the Takeovers Code) of the Company; or (iii) to influence or be involved in the operations or business of the Company (including, without limitation, from the perspectives of how it is to be continued, major changes (if any) which may be introduced, or employment of employees of the Company and of any of its subsidiaries) other than through the exercise of rights attached to Shares. The Partial Offer is uninvited and as at the Latest Practicable Date, the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group and its employees. Further, as no concrete or detailed plan was provided by the Offeror in the Offer Document for the business of the Group and its employees, the Board is unable to form any view on the Offeror’s intentions in respect of the Group and its employees.

We noted that the intention of the Offeror is to establish a passive equity position in the Company by way of Partial Offer. Assuming that there is a full acceptance of 115,000,000 Offer Shares under the Partial Offer and according to the Offer Document, the Offeror and parties acting in concert with her did not hold any other Shares, the Offeror and parties acting in concert with her would hold approximately 4.96% of the issued share capital of the Company. On this assumption and given this minority stake, we are of the view that the Offeror and parties acting in concert with her will not exert substantial influence or involvement over the Company's business or operations, other than through the exercise of rights ordinarily attached to the Shares.

7. Offer Price

(a) Comparison of Offer Price

The Offer Price of HK\$0.1 per Offer Share represents:

- (i) a discount of approximately 96.21% to the closing price of HK\$2.64 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 96.32% to the average closing price of HK\$2.72 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 96.38% to the average closing price of HK\$2.76 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 96.31% to the average closing price of HK\$2.71 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 96.47% to the audited consolidated net asset value attributable to owners of the Company of HK\$2.83 per Share as at December 31, 2024, calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately RMB5,561,154,000 (equivalent to approximately HK\$6,570,503,451) as at December 31, 2024 and 2,319,863,422 Shares in issue as at the Latest Practicable Date, and applying RMB: HKD exchange rate of 1:1.1815 as published by Hong Kong Association of Banks on its website as at Latest Practicable Date;
- (vi) a discount of approximately 95.41% to the unaudited consolidated net asset value attributable to owners of the Company of HK\$2.18 per Share as at June 30, 2025, calculated based on the unaudited consolidated net asset value attributable to owners of the Company of

approximately RMB4,291,235,000 (equivalent to approximately HK\$5,070,094,153) as at June 30, 2025 and 2,319,863,422 Shares in issue as at the Latest Practicable Date, and applying RMB: HKD exchange rate of 1:1.1815 as published by Hong Kong Association of Banks on its website as at the Latest Practicable Date; and

- (vii) a discount of approximately 91.53% to the Cash per Share of RMB1.00 (equivalent to approximately HK\$1.18) as at June 30, 2025, calculated based on the unaudited consolidated time deposits, FVTPL and bank balances and cash of the Company of approximately RMB2,316.5 million as at June 30, 2025 and 2,319,863,422 Shares in issue as at the Latest Practicable Date, and applying RMB: HKD exchange rate of 1:1.1815 as published by Hong Kong Association of Banks on its website as at the Latest Practicable Date.

(b) Historical price performance of the Shares

To assess the fairness and reasonableness of the Offer Price, we have performed a review on the daily closing prices of the Shares from March 20, 2025 to March 19, 2026, being the last trading day before the trading suspension of Shares (the “Review Period”). We consider that the duration of the Review Period would be a reasonable and sufficient period to illustrate the closing price movement of the Shares as it covered reasonably sufficient duration prior to trading suspension of Shares to fully reflect the market reaction on the Shares. The daily closing prices of the Shares for the Review Period and up to the Last Trading Day are illustrated as follows:



Source: www.hkex.com.hk

As shown in the chart above, during the Review Period, the average share price was approximately HK\$3.08 per Share (the “Average Share Price”). The daily closing price ranged from HK\$2.56 per Share (the “Lowest Share Price”) to HK\$3.63 per Share (the “Highest Share Price”) during the Review Period. The Offer Price of HK\$0.1 represents (i) a discount of approximately 96.1% to the Lowest Share Price; (ii) a discount of approximately 97.2% to the Highest Share Price; and (iii) a discount of approximately 96.8% to the Average Share Price for the Review Period.

We noted that the share price experienced fluctuation between HK\$3.08 and HK\$3.63, reaching the Highest Share Price on 24 July 2025, prior to publication of profit warning announcement of the Company on 5 August 2025 (the “Profit Warning Announcement”). Following the Profit Warning Announcement, the share price dropped from HK\$3.49 to HK\$3.21 from August 5, 2025 to August 29, 2025 on which the Company published its interim results announcement for the six months ended June 30, 2025 (the “2025 Interim Announcement”). The 2025 Interim Announcement disclosed the Group’s net loss of approximately RMB263.9 million for the six months ended June 30, 2025, which appeared to intensify negative market sentiment. After publication of the 2025 Interim Announcement, the share price continued the downward trend with occasional rebounds, and reached the Lowest Share Price on February 4, 2026. On 19 March 2026, the Company announced an inside information announcement in relation to, among others, possible delay in publication of annual results and annual report of the Group for the year ended December 31, 2025; and subsequently, the trading of the Shares has been suspended since March 20, 2026 up to the Latest Practicable Date.

(c) *Historical trading liquidity of the Shares*

The following table sets out the trading volume of the Shares during the Review Period:

Month/Period	Total trading volume (No. of Share)	No. of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume to the total number of Shares in issue (Note 1)	Percentage of average daily volume to the total number of Shares held by the public (Note 2)
<i>Year 2025</i>					
March (from March 20, 2025)	107,724,761	8	13,465,595	0.58%	1.13%
April	208,285,405	19	10,962,390	0.47%	0.92%
May	124,402,600	20	6,220,130	0.27%	0.52%
June	143,430,903	21	6,830,043	0.29%	0.57%
July	167,462,919	22	7,611,951	0.33%	0.64%
August	302,195,599	21	14,390,267	0.62%	1.20%
September	331,493,906	22	15,067,905	0.65%	1.26%
October	188,691,140	20	9,434,557	0.41%	0.79%
November	132,434,517	20	6,621,726	0.29%	0.55%
December	96,768,058	21	4,608,003	0.20%	0.39%
<i>Year 2026</i>					
January	182,761,292	21	8,702,919	0.38%	0.73%
February	148,818,804	17	8,754,047	0.38%	0.73%
March (up to the Last Trading Day)	277,953,536	14	19,853,824	0.86%	1.66%

Source: www.hkex.com.hk

Notes:

1. Based on the average daily trading volume of Shares divided by the total issued Shares as at the month (i.e. 2,319,863,422 Shares throughout the Review Period).
2. Based on the average daily trading volume of Shares divided by the total number of Shares held by public Shareholders (i.e. 1,195,456,518 Shares throughout the Review Period).

As shown in the table above, during the Review Period, the trading liquidity of the Shares remains steady with the average daily trading volume ranging from approximately 0.20% to 0.86% of the total number of Shares in issue as at the Last Trading Day; and with the average daily trading volume ranging from approximately 0.39% to 1.66% of the total number of Shares held by the public as at the Last Trading Day. There are 169 out of 246 trading days during the Review Period which recorded trading volume of more than 0.5% of the total number of Shares held by the public and only 47 out of 246 trading days during the Review Period which recorded trading volume of more than 1% of the total number of Shares held by the public. This indicates that the liquidity of the Shares had been

generally thin during the Review Period. Nonetheless, as trading of the Shares has suspended for over 6 months, the historical trading volume may not be able to provide a representative view on the Shares' liquidity in the event of trading resumption of the Shares.

8. Comparison with other comparable companies

As part of our analysis, we have also carried out market comparable analysis on the valuation of comparable companies listed on the Main Board and GEM of the Stock Exchange. Having considered that (i) the 2025 Interim Report represents the latest financial information we could obtain as at the Latest Practicable Date while the Group was loss making for the six months ended June 30, 2025; (ii) the annual results of the Company for the year ended December 31, 2025 have not been published by the Company as at the Latest Practicable Date and thus not being available for our analysis; and (iii) the Company is primarily engaged in burial services, funeral services and other services which are capital-intensive and require substantial investment in fixed assets and ongoing capital expenditure for cemetery development and maintenance, we are of the view that using the valuation metrics of price-to-sales ("P/S") ratio and price-to-book ("P/B") ratio are appropriate in our market comparable analysis.

We have identified comparable companies based on the following criteria: (i) the shares of the companies are trading on the Main Board and GEM of the Stock Exchange; (ii) the companies are primarily engaged in burial and funeral services in the PRC; and (iii) positive net assets values were recorded in their latest published financial statements. We have scrutinized the annual report/interim reports of listed companies in the burial and funeral industries, and identified a total of three comparable companies (the "Comparable Companies"), which to the best of our knowledge represent the exhaustive list that meet the aforesaid selection criteria and are considered fair and representative. Given that the Group continues to maintain normal business operations despite a suspension of trading in the Shares since March 20, 2026, we consider it is meaningful to compare the implied P/S ratio (the "Implied P/S Ratio") and implied P/B ratio (the "Implied P/B Ratio") of the Company based on the Offer Price against the corresponding valuation multiples of the Comparable Companies that are primarily engaged in burial, funeral, and related services.

Nonetheless, Shareholders or potential investors should note that the business, operations, market capitalization and prospects of the Comparable Companies are not the same as those of the Company, and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies.

Company name (stock code)	Market capitalization (Note 1) HK\$'000	Revenue HK\$'000	Net assets attributable to owners of the company (Note 2) HK\$'000	P/S ratio	P/B ratio
Anxian Yuan China Holdings Limited (922)	231,022	196,252	835,431	1.17	0.27
China Wan Tong Yuan (Holdings) Limited (6966) (Note 5)	595,000	30,405	249,257	19.57	2.39
Sino-Life Group Limited (8296) (Note 5)	14,175	76,045	127,633	0.19	0.11
			Maximum	19.57	2.39
			Minimum	0.19	0.11
			Average	6.97	0.92
			Median	1.17	0.27
The Company (Note 5)					
Based on the Offer Price (Note 3)	231,986	2,430,656	5,020,745	0.10	0.05
Based on the closing price of the Shares on Last Trading Day (Note 4)	6,124,439	2,430,656	5,020,745	2.52	1.22

Source: www.hkex.com.hk

Notes:

1. Calculated based on the share price and number of shares in issue of the respective Comparable Companies as at the date of the Offer Announcement.
2. The amounts of net assets attributable to the owners of the company were based on the latest financial results announcements or financial reports of the respective Comparable Companies.
3. Market capitalization of the Company is calculated based on the Offer Price and number of shares in issue on Last Trading Day. The net assets attributable to owners of the Company as at June 30, 2025 is extracted from the 2025 Interim Report.
4. Market capitalization of the Company is calculated based on the closing price of the Shares and number of Shares in issue on Last Trading Day. The net assets attributable to owners of the Company as at June 30, 2025 is extracted from the 2025 Interim Report.
5. For analysis purpose, financials denominated in Renminbi of the Comparable Companies and the Company were converted to Hong Kong Dollars using an exchange rate of HK\$1.17 per RMB1.

As shown in the table above, the P/S ratio of the Comparable Companies ranged from approximately 0.19 times to approximately 19.57 times, with an average of approximately 6.97 times and a median of approximately 1.17 times. The Implied P/S Ratio of the Company based on the Offer Price of approximately 0.10 times is lower than the minimum P/S ratio of approximately 0.19 times of the Comparable Companies. The Implied P/S Ratio is also much lower than the P/S ratio of the Company (based on market price of the Shares on Last Trading Day) of approximately 2.52 times which falls within the range of the Comparable Companies, and is above the median of approximately 1.17 times but below the average of approximately 6.97 times of the Comparable Companies.

As shown in the table above, the P/B ratio of the Comparable Companies ranged from approximately 0.11 times to approximately 2.39 times, with an average of approximately 0.92 times and a median of approximately 0.27 times. The Implied P/B Ratio of the Company based on the Offer Price is approximately 0.05 times which is much lower than (i) the minimum P/B ratio of 0.11 times of the Comparable Companies; and (ii) the P/B ratio of the Company (based on market price of the Shares on Last Trading Day) of approximately 1.22 times which falls at the upper end of the range and is higher than the average and median of that of the Comparable Companies.

Based on the above analysis and, in particular, having considered that (i) the Offer Price represents a discount of approximately 96.21% to the market price of the Shares on Last Trading Day; (ii) the Offer Price represents a discount of approximately 95.41% to the NAV per Share as at June 30, 2025; (iii) the Offer Price represents a discount of approximately 91.53% to the Cash per Share as at June 30, 2025; and (iv) the Implied P/S ratio is significantly lower than the minimum P/S of the Comparable Companies and the Implied P/B ratio is significantly lower than the minimum P/B Ratio of the Comparable Companies, we are of the view that the Offer Price is not fair and reasonable so far as the Qualifying Shareholders are concerned.

RECOMMENDATIONS

Having considered the above principal factors and reasons, in particular, the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Shares have consistently been traded at a price that is significantly higher than the Offer Price during the Review Period before trading suspension whilst the Offer Price represents a significant discount of over 96% to the closing prices on the Last Trading Day, and the average of the closing prices for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day;
- (ii) the Offer Price represents a significant discount of approximately 96.47% to the audited NAV per Share as at December 31, 2024 and approximately 95.41% to the unaudited NAV per Share as at June 30, 2025;

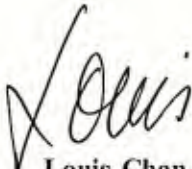
- (iii) the Company is cash-rich and has strong liquidity on the basis that the Offer Price represents a significant discount of approximately 91.53% to the Cash per Share as at June 30, 2025;
- (iv) the Implied P/S ratio is much lower than the minimum P/S of the Comparable Companies and the Implied P/B ratio is much lower than the minimum P/B Ratio of the Comparable Companies;
- (v) the Group as a leading service provider in the market will continue to build on its existing cemetery and funeral businesses and, taking into account changes in demographic structure, customer needs, industry policies and market conditions, steadily enhance its existing products and services and improve its service quality and operational capabilities;
- (vi) the Offeror is only a passive equity investor who intends to hold a minority interest in the Shares and will not exert substantial influence or involvement over the Company's business or operations; and
- (vii) despite the fact that trading in the Company's Shares has been suspended since March 20, 2026, the Company is taking reasonable steps to fulfill the conditions set out in the Resumption Guidance, with a deadline to satisfy the Stock Exchange by September 19, 2027, which is over 11 months away from the Latest Practicable Date.

Having considered the above factors, and irrespective of the uncertainty regarding the trading suspension of the Shares, we are of the opinion that the Partial Offer is **NOT** fair and reasonable so far as the Qualifying Shareholders are concerned, and is **NOT** in the interests of the Qualifying Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Qualifying Shareholders **NOT** to accept the Partial Offer.

In the event that the listing status of the Company is cancelled by the Stock Exchange, Shareholders will be holding Shares in an unlisted public company and there may or may not be an active market for the trading of the Shares as the Shares will no longer be listed on the Stock Exchange. However, even though the Shares held by the Qualifying Shareholders become delisted as a result of failure to meet all Resumption Guidance by the Company before the deadline, the unlisted status of the Shares does not necessarily mean that the value attributable to the Shares has vanished. In particular, the Offer Price represents a significant discount of approximately 96.47% to the audited NAV per Share as at December 31, 2024 and approximately 95.41% to the unaudited NAV per Share as at June 30, 2025. Please refer to the paragraphs headed "5. Scenarios based on the different level of valid acceptances under the Partial Offer" for further details of our discussion.

Furthermore, the Qualifying Shareholders are also reminded that their decisions to dispose of or hold their investment in the Shares are subject to their individual circumstances and investment objectives and we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of this Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Qualifying Shareholders should read carefully the procedures for accepting the Partial Offer as detailed in the Offer Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Octal Capital Limited


Louis Chan Celina Yuen
Executive Director Director

Note: Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Ms. Celina Yuen is a licensed person and a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Yuen has over 15 years of experience in corporate finance industry and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.