THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Industrial Urban Development Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO LEASING OF PROPERTY IN CHANGNING DISTRICT, SHANGHAI AND (2) NOTICE OF THE SPECIAL GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

OPTIMA CAPITAL
Optima Capital Limited

A letter from the Board is set out on pages 4 to 13 of this circular, a letter from the Independent Board Committee is set out on pages 14 to 15 of this circular, a letter from Optima Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 36 of this circular, and a valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Independent Valuer, setting out the market value of the Property, is set out on pages I-1 to I-8 of this circular.

A notice convening the SGM to be held at Ballroom, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Wednesday, 4 November 2026 at 3:00 p.m. is set out on pages N-1 to N-2 of this circular.

A form of proxy for appointing a proxy to attend the SGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.siud.com).

Whether or not you intend to be present at the SGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong time) before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

14 October 2026

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Board"	the board of Directors
"Change Shanghai"	SIUD Change (Shanghai) Property Operation Management Co., Ltd. (上實城開阡集(上海)置業經營管理有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Company"	Shanghai Industrial Urban Development Group Limited (上海實業城市開發集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 563)
"Director(s)"	the director(s) of the Company
"Group"	the Company together with its subsidiaries
"HKFRS"	HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors, and each of them does not have any material interest in the transactions contemplated under the Lease Agreement
"Independent Financial Adviser" or "Optima Capital"	Optima Capital Limited, a corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Lease Agreement
"Independent Shareholders"	Shareholders other than SIIC and its associates
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Latest Practicable Date"	9 October 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Lease" or "Lease Agreement"	the lease agreement dated 27 August 2026 and entered into between Change Shanghai and the Lessor whereby Change Shanghai agrees to lease the Property for a term of up to 15 years commencing from the date of approval of the Lease Agreement by the Independent Shareholders at the SGM, subject to renewal every three years
"Lessor"	SPH New Asia Pharmaceutical Co., Ltd. (上海上藥新亞藥業有限公司), a company established in the PRC and a direct non-wholly-owned subsidiary of Shanghai Pharmaceuticals Holding
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"PRC"	the People's Republic of China, for the purpose of this circular only, excluding Hong Kong, and Macao Special Administrative Region of the PRC and Taiwan
"Property"	Levels 3 to 14, No. 89 Jiangsu North Road, Changning District, Shanghai, the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"SGM"	the special general meeting of the Company to be convened and held at Ballroom, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Wednesday, 4 November 2026 at 3:00 p.m. at which ordinary resolution will be proposed to consider and, if thought fit, to approve the Lease Agreement and the transactions contemplated thereunder
"Shanghai Pharmaceuticals Holding"	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (its A shares are listed on the Shanghai Stock Exchange (stock code: 601607), and its H shares are listed on the Main Board of the Stock Exchange (stock code: 02607))
"Shareholder(s)"	registered holder(s) of the Share(s)
"Shares"	ordinary share(s) in the share capital of the Company

"SIHL"	Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 363), and a controlling shareholder of the Company
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	the valuation report issued by the Independent Valuer as to the market rent of the Property, a copy of which is set out in Appendix I to this circular
"%"	per cent

In this circular, the terms "associate(s)", "close associate(s)", "connected person", "controlling shareholder", "subsidiary(ies)" and "substantial shareholder" have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of PRC entities included in this circular are unofficial translations of their Chinese names and are included for identification purposes only.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

Executive Directors:
Mr. Huang Haiping *(Chairman)*
Mr. Li Zhonghui *(President)*
Ms. Zhou Yadong

Independent Non-Executive Directors:
Mr. Doo Wai-Hoi, William, *B.B.S., J.P.*
Dr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David, *M.H.*
Dr. Chan Ho Wah, Terence

Registered Office:
Richmond House,
12 Par-la-Ville Road,
Hamilton, HM 08,
Bermuda

Principal Place of Business in Hong Kong:
11/F, Henley Building
No. 5 Queen's Road Central
Hong Kong

14 October 2026

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO LEASING OF PROPERTY IN CHANGNING DISTRICT, SHANGHAI AND (2) NOTICE OF THE SPECIAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 27 August 2026 in relation to the Lease Agreement.

The Board announces that on 27 August 2026, Change Shanghai, an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with the Lessor, pursuant to which Change Shanghai agreed to lease from the Lessor the Property comprising 12 floors of the building located at No. 89 Jiangsu North Road, Changning District, Shanghai, the PRC for the purpose of operating residential apartments under the Group's 旺傢 CHANGE brand, for a term of up to 15 years commencing from the date of approval of the Lease Agreement by the Independent Shareholders at the SGM, subject to renewal every three years.

The purpose of this circular is, among other things, to provide you with (i) further details of the Lease Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Lease Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Lease Agreement; (iv) a valuation report from the Independent Valuer; (v) a notice of the SGM; and (vi) other information concerning the Company as required under the Listing Rules.

II. THE LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below:

Date

27 August 2026

Parties

(1) SPH New Asia Pharmaceutical Co., Ltd., as the Lessor

(2) Change Shanghai, as the Lessee

Subject Matter

The Lessor is the registered owner of the Property. Pursuant to the Lease Agreement, Change Shanghai has agreed to lease the Property from the Lessor.

Property

The Property forms part of the building known as SPH New Asia Building (上藥新亞大廈), located at No. 89 Jiangsu North Road, Changning District, Shanghai, the PRC. The Property comprises 12 floors, from Level 3 to Level 14 of the building, with a total gross floor area of approximately 10,359.40 square metres. The Property may be used for commercial, office and, subject to obtaining the relevant regulatory approval, residential purposes. In addition, the Lease entitles the lessee to the free use of 12 underground car parking spaces within the building.

Term

The term of the lease is for up to 15 years commencing from the date of approval of the Lease Agreement by the Independent Shareholders at the SGM, subject to renewal every three years. Each renewal is subject to Shanghai Pharmaceuticals Holding obtaining the necessary authorisations, approvals and complying with the applicable regulatory requirements.

The lease term of up to 15 years was determined after arm's length negotiations between the parties with reference to the expected useful life of the fit-out works required to convert the Property into residential units, the anticipated investment payback period and the need to provide operational stability for the Group's rental apartment business. The renewal period of every three years has been adopted as the Lessor is a subsidiary of Shanghai Pharmaceuticals Holding, whose A shares are listed on the Shanghai Stock Exchange, and the three-year renewal cycle is required to comply with the applicable PRC regulatory requirements.

The Company considers that the Group's interests are adequately protected in the event that the Lease is terminated early or not renewed. If the Lessor terminates early, other than where the Lease Agreement expressly permits, it must give three months' prior written notice and pay an early termination fee of up to three months' rent. In addition, the Company's PRC legal adviser in respect of the Lease has advised that under applicable PRC laws, Change Shanghai could be entitled to a fair share of the residual value of decoration and fit-out works during the remaining lease term, including where the Lease Agreement is terminated in the circumstance described in paragraph (f) under "Early Termination" below. Further, having considered the nature and size of the transactions contemplated under the Lease Agreement relative to Shanghai Pharmaceuticals Holding and the applicable regulatory requirements, for which, to the best of the Company's knowledge, (i) based on the latest published financial information of Shanghai Pharmaceuticals Holding, the transactions contemplated thereunder constitute de minimis transactions of Shanghai Pharmaceuticals Holding, which are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules; (ii) the transactions contemplated thereunder are below the disclosure threshold and the shareholders' approval threshold under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, and assuming that there is no material adverse change in the circumstances of Shanghai Pharmaceuticals Holding or in the applicable regulatory requirements, the Company does not presently expect the renewal requirements to materially affect the intended 15-year operation of the Group's rental apartment project at the Property. Taking the above into account, the Company considers that the potential impact on the Company and the operational risks in the event that the Lease is not renewed are low and manageable, and that the lease term of up to 15 years and the three-year renewal mechanism are appropriate, fair and reasonable.

Rent

The rent payable by Change Shanghai under the Lease Agreement is (i) RMB7,339,800 per annum for the first to fifth lease years; (ii) RMB7,559,994 per annum for the sixth to tenth lease years; and (iii) RMB7,786,794 per annum for the eleventh to fifteenth lease years, representing an increase of 3% every five years during the lease term. The rent is payable in advance on a monthly basis, and Change Shanghai is required to pay a rental deposit of RMB611,650, being equivalent to one month's rent payable during the first to fifth lease years.

The rental terms of the Lease Agreement were determined after arm's length negotiations between the parties with reference to the current market rental rates for properties comparable in size, location, and condition; the size of the Property, specifically the gross floor area available for use; the Property's location, including its proximity to public transportation and business districts; the state of the Property; and the duration of the lease.

During the term of the Lease Agreement, Change Shanghai is responsible for the payment of the property management fee in respect of the Property at a monthly rate of RMB19.88 per square metre. The property management fee is payable to Shanghai Shuxing Property Management Co. Ltd. (上海舒興物業管理有限公司). Shanghai Shuxing Property Management Co. Ltd. is the property manager of SPH New Asia Building and an affiliate of the owner of Levels 1 and 2 of SPH New Asia Building, being Shanghai Xinfen Enterprise Development Co. Ltd. (上海新奮企業發展有限公司). Both Shanghai Shuxing Property Management Co. Ltd. and Shanghai Xinfen Enterprise Development Co. Ltd. are third parties independent of the Company and its connected persons.

Disposal of the Property

In the event that the Lessor intends to dispose of the Property during the lease term, Change Shanghai shall have a right of first refusal to acquire the Property on the same terms. Irrespective of whether Change Shanghai exercises such right of first refusal, the Lessor shall not terminate the Lease Agreement. Upon completion of the disposal of the Property, the new owner shall assume all rights and obligations of the Lessor under the Lease Agreement. In such event, Change Shanghai, the Lessor and the new owner will enter into an agreement in respect of the change in lessor under the Lease Agreement.

Early Termination

Pursuant to the Lease Agreement, other than in circumstances where early termination is expressly permitted under the Lease Agreement, either party may terminate the Lease Agreement prior to the expiry of the lease term by giving three months' prior written notice to the other party. The party initiating the early termination shall pay to the other party an early termination fee equivalent to twice the daily rent multiplied by the number of days of early termination, which shall not exceed three months' rent then payable under the Lease Agreement.

The circumstances in which early termination is expressly permitted under the Lease Agreement without triggering the early termination fee are as follows:

(a) the land use rights within the area occupied by the Property are lawfully resumed in advance;

(b) the Property is lawfully expropriated in the public interest;

(c) the Property is lawfully included within the scope of a demolition permit due to urban construction requirements;

(d) the Property is damaged, destroyed or classified as a dangerous building such that it cannot be used and cannot be repaired within 15 days;

(e) Change Shanghai, after consultation with the relevant PRC government authorities, confirms that it is unable to procure the change in use of the Property to operate as rental residential apartments; and

(f) if any three-year connected transaction approval required to be obtained by Shanghai Pharmaceuticals Holding under the applicable PRC and Hong Kong Listing Rules is not obtained, the Lease Agreement will terminate at the end of the then-current three-year period, and neither party will bear any liability for breach of contract or loss of expected benefits. The Company's PRC legal adviser in respect of the Lease has advised that, under applicable PRC laws, in such event Change Shanghai could be entitled to a fair share of the residual value of the decoration and fit-out works attributable to the remaining lease term.

In each of the above circumstances, the Lease Agreement will terminate without either party bearing liability for breach of contract, and the rent will be calculated based on the actual number of days of use, without prejudice to any entitlement of Change Shanghai under applicable PRC laws in respect of the residual value of the decoration and fit-out works as described in paragraph (f) above.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Change Shanghai intends to operate the Property as a mid-tier white-collar apartment project under the Group's 旺傢 CHANGE brand, consistent with the Group's ongoing strategy of expanding its rental apartment business and using the 旺傢 CHANGE brand as its core platform for developing mid-tier white-collar apartment products. The Lease allows the Group to secure a substantial leasable asset without incurring the capital expenditure associated with a direct property acquisition, while generating a recurring rental income stream through the sub-leasing model.

The Property is located in a prime area of Changning District, Shanghai, at the junction of three major commercial districts (Zhongshan Park, Caojiadu and Global Harbour). It benefits from convenient transportation, being approximately 700 metres' walking distance from Longde Road Station on Metro Lines 11 and 13, with interchange access to Lines 2, 3, 4 and 14 connecting to Shanghai's major business districts, giving the Property the benefit of six metro lines in total. The surrounding area also has well-established amenities and business and lifestyle facilities, and a high concentration of office workers. The Property's existing physical condition and layout readily support conversion into residential units, with no material structural alterations expected. Taken together, these factors significantly reduce the execution risk and capital outlay that would otherwise be required to bring the Property up to a lettable residential standard, thereby improving the Group's overall potential return on the transaction.

As at the Latest Practicable Date, the Group is working towards obtaining the relevant regulatory approval for the change of use of the Property to residential purposes. Based on the Group's experience in operating its rental apartment business and its communications with the relevant authorities to date, the Group currently expects the approval to be obtained by 2027. In the event that the approval is materially delayed or cannot be obtained, the Lease Agreement provides that Change Shanghai is entitled to terminate the Lease Agreement without liability. Accordingly, the Company considers that the Group's exposure if the approval is delayed or not obtained is limited and manageable, and does not affect the overall merits of the transaction or the Group's strategy of expanding its rental apartment business. The Company is currently not aware of any material impediment to obtaining such approval.

As the Lessor's group has no operational need for the Property and wishes to lease it out, the Company considers this a favourable opportunity to lease the entire Property, comprising 12 floors of the building, and in turn to sub-lease it in smaller units to individual tenants for profit. Based on preliminary operational planning, the Property is expected to yield approximately 240 residential units upon completion of the fit-out, with an average unit size of approximately 40.5 square metres. Unit types will range from studio flats with shared facilities to one- and two-bedroom apartments, targeting young white-collar tenants working in the surrounding Zhongshan Park business district.

The Company considers that the Zhongshan Park business district exhibits strong potential leasing demand, and that a gap remains in the branded apartment market in the area, with limited existing branded apartment supply. The Property can accordingly be positioned as a mid-range apartment offering for white-collar tenants, avoiding direct competition at the lower end of the market. By targeting this underserved segment, the Group is expected to command more resilient occupancy rates and rental yields than would be achievable in a more saturated segment, while establishing a differentiated brand presence in the area.

The estimated total capital expenditure required to convert the Property into approximately 240 residential units is approximately RMB54.98 million (equivalent to approximately RMB5,308 per square metre of gross floor area), which is currently expected to be funded by the Group's internal resources. In determining and assessing the rent payable to the Lessor, the Company considered the estimated capital expenditure required to convert the Property into residential units and the anticipated rental income from sub-leasing the Property, based on the Group's preliminary operational planning and an analysis of the surrounding residential rental market. The Company assessed a range of rental scenarios over the lease term. Under each scenario, the anticipated rental income is expected to cover the rent payable to the Lessor, the property management fee, the apartment operating costs and the conversion costs, and the Group is expected to recover its investment within the lease term. On this basis, the Company is satisfied that the anticipated rental income is sufficient to cover the rent payable to the Lessor and the expected conversion costs over the lease term.

The Company notes that the Independent Valuer has assessed the market rent of the Property by reference to office rental comparables, on the basis of the Property's existing use and condition as at the valuation date. The Company considers this approach to be appropriate, fair and reasonable, given that (i) the existing use of the entire Property is office, which is consistent with its current configuration and large floor plates; and (ii) while the Group currently expects the relevant regulatory approval for the use of the Property for residential purposes to be obtained by 2027 and is not aware of any material impediment to obtaining such approval, such approval had not been obtained as at the valuation date.

Having considered the terms of the transaction, including the rental payable and the duration of the Lease, against comparable transactions and prevailing market conditions, the Directors (excluding the independent non-executive Directors) are of the view that the Lease Agreement was entered into in the ordinary and usual course of business of the Group and that the terms of the Lease Agreement are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and its Shareholders as a whole. The views of the independent non-executive Directors on the transactions contemplated under the Lease Agreement will be reserved and provided in their letter to be included in this circular.

INFORMATION ABOUT THE PARTIES

The Company and Change Shanghai

The Company is a company incorporated under the laws of Bermuda with limited liability, and is an investment holding company. The Group is a property developer in the PRC and is principally engaged in the businesses of property development, property investment and hotel operations in the PRC.

Change Shanghai is a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property management and the operation of the Group's rental apartment business under the 旺傢 CHANGE brand.

Lessor

The Lessor is a company established in the PRC and is the registered owner of the Property. The Lessor is a direct non-wholly-owned subsidiary of Shanghai Pharmaceuticals Holding, a company whose A shares are listed on the Shanghai Stock Exchange (stock code 601607) and H shares are listed on the Main Board of the Stock Exchange (stock code 02607). Shanghai Pharmaceuticals Holding is a subsidiary of SIIC.

Headquartered in Shanghai, Shanghai Pharmaceuticals Holding is a national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. The business of Shanghai Pharmaceuticals Holding mainly covers two segments, namely, pharmaceutical industry and pharmaceutical business.

LISTING RULES IMPLICATIONS

As at the date of this circular, the Lessor is a direct non-wholly-owned subsidiary of Shanghai Pharmaceuticals Holding, which is in turn a subsidiary of SIIC (being the controlling shareholder of the Company). Accordingly, the Lessor is an associate of SIIC and a connected person of the Company under Chapter 14A of the Listing Rules. The entry into the Lease Agreement by Change Shanghai with the Lessor and the transactions contemplated thereunder therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to HKFRS 16, the Property leased under the Lease Agreement will be recognised by the Company as a right-of-use asset, and the transaction contemplated under the Lease Agreement will be classified as an acquisition of a right-of-use asset by the Company. Accordingly, the transaction contemplated under the Lease Agreement will be treated as a one-off connected transaction under Chapter 14A of the Listing Rules. The (unaudited) value of the right-of-use asset to be recognised by the Company under the Lease Agreement is expected to be approximately RMB90,110,911, which represents the present value of the lease payments over the lease term of the entire 15 years, discounted using the weighted average incremental borrowing rate in accordance with HKFRS 16. The weighted average incremental borrowing rate of the lease liability is determined with reference to the prevailing interest rate of the Group's external borrowings.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated based on the (unaudited) value of the right-of-use asset expected to be recognised by the Company under the Lease exceeds 5%, the entry into the Lease Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated based on the (unaudited) value of the right-of-use asset expected to be recognised by the Company under the Lease exceeds 5% but none of such percentage ratios is 25% or above, the entry into the Lease Agreement and the transactions contemplated thereunder also constitute a discloseable transaction subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

An independent board committee of the Company comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Lease Agreement and the transactions contemplated thereunder, and Optima Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

No Director has a material interest in the transactions contemplated under the Lease Agreement. However, (i) Mr. Huang Haiping, also acting as a vice president of SIIC; and (ii) Ms. Zhou Yadong, also acting as a vice president and chief financial officer of Shanghai Pharmaceuticals Holding, have voluntarily abstained from voting on the Board resolutions approving the Lease Agreement.

III. SGM

The SGM will be convened and held at Ballroom, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Wednesday, 4 November 2026 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Lease Agreement and the transactions contemplated thereunder. A notice of SGM and a form of proxy for use at the SGM is enclosed with this circular.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 30 October 2026 to Wednesday, 4 November 2026, both days inclusive, during which period no transfer of Shares will be effected. The record date for determination of entitlement of the members of the Company to attend and vote at the SGM will be on Wednesday, 4 November 2026. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 29 October 2026.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are encouraged to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong time) before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the SGM will be conducted by poll. The chairman of the SGM will demand a poll for the ordinary resolution to be proposed at the SGM pursuant to Bye-law 66 of the Bye-laws of the Company. As SIIC, being the controlling shareholder of both the Company and Shanghai Pharmaceuticals Holding, has a material interest in the transactions contemplated under the Lease Agreement, SIIC and its associates, which together hold approximately 70.44% of the total number of Shares in issue as at the Latest Practicable Date, have voluntarily abstained from voting at the SGM on the resolution approving the same. Save for the aforementioned and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the transactions contemplated under the Lease Agreement and is required to abstain from voting on the resolution approving the same at the SGM.

IV. RECOMMENDATION

Having considered the reasons set out herein, the Directors consider that the transactions contemplated under the Lease Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Lease Agreement and the transactions contemplated thereunder. Before deciding how to vote on the resolution at the SGM, you are advised to read (i) the Letter from the Independent Board Committee from pages 14 to 15 of this circular; and (ii) the Letter from the Independent Financial Adviser from pages 16 to 36 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Lease Agreement and the transactions contemplated thereunder as well as the principal factors and reasons considered by it in arriving its opinions.

V. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular, which contain further information on the Group and other information required to be disclosed under the Listing Rules.

Yours faithfully,
For and on behalf of the Board
Shanghai Industrial Urban Development Group Limited
Huang Haiping
Chairman

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

14 October 2026

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO LEASING OF PROPERTY IN CHANGNING DISTRICT, SHANGHAI AND NOTICE OF THE SPECIAL GENERAL MEETING

We refer to the circular dated 14 October 2026 of the Company (the "**Circular**") of which this letter forms part. Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Lease Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Optima Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board set out on pages 4 to 13 of the Circular which contains information in connection with the transactions contemplated under the Lease Agreement, the letter from the Independent Financial Adviser set out on pages 16 to 36 of the Circular which contains its advice and recommendation in the same respect, and other additional information set out in the appendices to the Circular.

Having considered the terms of the Lease Agreement, and taking into account the advice of the Independent Financial Adviser, we consider that the transactions contemplated under the Lease Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM, which is set out in the notice convening the SGM, to approve the Lease Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Shanghai Industrial Urban Development Group Limited

Mr. Doo Wai-Hoi, William, *B.B.S., J.P.* *Independent Non-Executive Director*	**Dr. Fan Ren Da, Anthony** *Independent Non-Executive Director*	**Mr. Li Ka Fai, David,** *M.H.* *Independent Non-Executive Director*	**Dr. Chan Ho Wah, Terence** *Independent Non-Executive Director*

Optima Capital Limited
Suite 2101, 21/F
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

14 October 2026

To: The Independent Board Committee and the Independent Shareholders of Shanghai Industrial Urban Development Group Limited

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO LEASING OF PROPERTY IN CHANGNING DISTRICT, SHANGHAI

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Lease Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 14 October 2026 (the "**Circular**") issued to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 August 2026, Change Shanghai, an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with the Lessor, pursuant to which Change Shanghai agreed to lease from the Lessor the Property comprising 12 floors of the building located at No. 89 Jiangsu North Road, Changning District, Shanghai, the PRC for the purpose of operating residential apartments, for a term of up to 15 years commencing from the date of approval of the Lease Agreement by the Independent Shareholders at the SGM, subject to renewal every three years.

The rent payable by Change Shanghai under the Lease Agreement is (i) RMB7,339,800 per annum for the first to fifth lease years; (ii) RMB7,559,994 per annum for the sixth to tenth lease years; and (iii) RMB7,786,794 per annum for the eleventh to fifteenth lease years, representing an increase of 3% every five years during the lease term. The rent is payable in advance on a monthly basis, and Change Shanghai is required to pay a rental deposit of RMB611,650, being equivalent to one month's rent payable during the first to fifth lease years.

As at the date of the Circular, the Lessor is a direct non-wholly-owned subsidiary of Shanghai Pharmaceuticals Holding, which is in turn a subsidiary of SIIC (being the controlling shareholder of the Company). Accordingly, the Lessor is an associate of SIIC and a connected person of the Company under Chapter 14A of the Listing Rules. The entry into the Lease Agreement by Change Shanghai with the Lessor and the transactions contemplated thereunder therefore constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to HKFRS 16, the Property leased under the Lease Agreement will be recognised by the Company as a right-of-use asset, and the transaction contemplated under the Lease Agreement will be classified as an acquisition of a right-of-use asset by the Company. Accordingly, the transaction contemplated under the Lease Agreement will be treated as a one-off connected transaction under Chapter 14A of the Listing Rules. The (unaudited) value of the right-of-use asset to be recognised by the Company under the Lease Agreement is expected to be approximately RMB90,110,911, which represents the present value of the lease payments over the lease term of the entire 15 years, discounted using the weighted average incremental borrowing rate in accordance with HKFRS 16. The weighted average incremental borrowing rate of the lease liability is determined with reference to the prevailing interest rate of the Group's external borrowings.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) calculated based on the (unaudited) value of the right-of-use asset expected to be recognised by the Company under the Lease exceeds 5%, the entry into the Lease Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with Rule 13.39(4) of the Listing Rules, voting at the SGM will be conducted by poll. The chairman of the SGM will demand a poll for the ordinary resolution to be proposed at the SGM pursuant to Bye-law 66 of the Bye-laws of the Company. As SIIC, being the controlling shareholder of both the Company and Shanghai Pharmaceuticals Holding, has a material interest in the transactions contemplated under the Lease Agreement, SIIC and its associates, which together hold approximately 70.44% of the total number of Shares in issue as at the Latest Practicable Date, has voluntarily abstained from voting at the SGM on the resolutions approving the same. Save for the aforementioned and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the transactions contemplated under the Lease Agreement and is required to abstain from voting on the resolutions approving the same at the SGM.

An Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders in connection with the Lease Agreement and the transactions contemplated thereunder, and we, Optima Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Save for the engagements set out below, we did not act as financial adviser to the Company during the two years preceding the date of this letter. We acted as the independent financial adviser in respect of (i) a tenancy agreement dated 22 October 2024 and (ii) a lease agreement dated 8 August 2025, each with a duration exceeding three years and involving continuing connected transactions which were fully exempt from the reporting and announcement requirements under the Listing Rules. We also acted as the independent financial adviser in respect of (iii) the continuing connected transactions in relation to property leasing agreement with a duration over three years as announced by the Company on 29 July 2025; and (iv) the major transaction and continuing connected transactions in relation to a financial services agreement as announced by the Company on 6 March 2026. As at the date of this letter, there has been no other relationships or interests existing between us and the Company that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Company in respect of the Lease Agreement. Accordingly, we are independent under Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive directors and management of the Company (collectively, the "**Management**"). We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company and the Management, including but not limited to: (i) the Lease Agreement; (ii) valuation report (the "**Valuation Report**") issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**") in respect of market rent of the Property as at 27 August 2026 (the "**Valuation Date**"); and (iii) other relevant public information related to the Property. We have assumed that (i) all statements, information and representations provided or expressed by the Company and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, are true, accurate and complete in all material aspects at the time they were provided or expressed to us and will remain so up to the date of this letter and the Shareholders will be notified of any material changes to such information and representations before the SGM. We have also assumed that all the opinions or representations of the Management have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view, and have no reason to believe that any material information has been withheld, nor 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 Change Shanghai nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have considered the principal factors and reasons set out below:

1. Information of the Group and Change Shanghai

As set out in the Letter from the Board, the Group is a property developer in the PRC and is principally engaged in the business of property development, property investment and hotel operations in the PRC.

Change Shanghai is a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company. It is principally engaged in property management and the operation of the Group's rental apartment business under the U CHANGE brand.

2. Information of the Lessor

As set out in the Letter from the Board, the Lessor is a company established in the PRC, the registered owner of the Property and a direct non-wholly owned subsidiary of Shanghai Pharmaceuticals Holding, a company whose A shares are listed on the Shanghai Stock Exchange (stock code: 601607) and H shares are listed on the Main Board of the Stock Exchange (stock code: 2607). Shanghai Pharmaceuticals Holding is a subsidiary of SIIC.

Headquartered in Shanghai, Shanghai Pharmaceuticals Holding is a national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. The business of Shanghai Pharmaceuticals Holding mainly covers two segments, namely, pharmaceutical industry and pharmaceutical business.

3. Reasons for the benefits of the Lease Agreement

The Group is principally engaged in property development, property investment and hotel operations in the PRC. In addition, the Group has been developing its residential leasing business in Shanghai for a number of years and has accumulated experience in the development and operation of rental housing projects.

As advised by the Management, Change Shanghai intends to renovate and fit out the Property as a mid-tier white-collar apartment project under the Group's U CHANGE brand (the "**Project**"). Based on the preliminary project plan prepared by the Management, the Property is expected to comprise approximately 240 apartment units upon completion of the renovation and fit-out works, with an average gross floor area of approximately 40.5 square metres ("**sq.m.**") per unit. The apartment units will principally comprise studio units, with a smaller proportion of one- and two-bedroom units, and are intended to target young white-collar tenants working in the surrounding commercial areas.

In considering the commercial rationale for the Group to undertake the Project, we have considered the Group's experience and track record in the residential leasing business. We note from the annual reports of the Company that the Group has developed a number of long-term rental housing projects in Shanghai. In 2024, the Group launched the U CHANGE brand for its rental housing business, positioning it as a platform for development and operation of mid-tier rental apartments targeting white-collar young tenants. As disclosed in the Company's 2025 annual report, as at 31 December 2025, the Group had three residential leasing projects under the U CHANGE brand, namely U CHANGE • Xin community, U CHANGE • Hui community and U CHANGE • Neo community, comprising approximately 5,500 rental units in aggregate. These three communities maintained an average occupancy rate of approximately 98% during 2025 and generated stable rental income for the Group.

We further note that U CHANGE • Xin community and U CHANGE • Hui community were both recognised as "Grade 5A Youth Centres in Shanghai" in March 2025, while U CHANGE • Xin community received the "Architectural Design/Social Housing" award at the 2024 LIV Hospitality Design Awards in April 2025. In our view, the scale and operating track record of the Group's existing U CHANGE projects, together with the above industry recognition, demonstrate the Group's experience in the development and operation of rental accommodation. Having regard to the above, we consider that the Group possesses relevant experience and operating capabilities for undertaking the Project and concur with the Management's view that the proposed operation of the Project is consistent with the Group's existing residential leasing business.

The Management understands that the Lessor wishes only to lease out the Property and has no intention of selling. The Group intends to lease the Property comprising 12 floors as a whole, undertake the necessary renovation and fit-out works and subsequently sub-lease the apartment units to individual tenants to generate recurring rental income. As advised by the Management, as compared with acquiring a property for the operation of rental apartments, the leasing model allows the Group to secure the use of the Property for the operation of the Project without having to commit funds and take up additional debt to acquire the underlying property. This is in line with the overall strategy of the Group, as set out in the Company's 2026 interim report, to transform towards asset securitisation, aligning with the industry trend of shifting from incremental development to the operation of existing assets and aiming to, among other things, reduce its debt-to-equity ratio and enhance capital turnover efficiency through light-asset operation. As at 30 June 2026, the Group's debt-to-equity ratio was 96.8%, which the Management considers is nearing the acceptable limit and is working towards reducing. The leasing arrangement allows the Group to develop its rental apartment business while avoiding direct acquisition of the Property (or other comparable property) which would materially increase gearing and reduce the financial flexibility of the Group. In addition to the above, with the rebound in the Group's contract sales from commodity housing of about 87.1% for the six months ended 30 June 2026 as compared to the same period in the previous year, the Group's core property development business is showing signs of recovery. In this light,

the Group's capital is expected to be increasingly committed to property development and less available for its rental apartment projects. This further reinforces the commercial rationale for the asset-light approach to the Project. Having regard to the above and the Group's existing experience and resources in the rental housing business, we consider that undertaking the Project through the leasing of the Property represents a commercially reasonable means for the Group to further develop its rental accommodation business and leverage its U CHANGE brand and operating experience without acquiring the underlying property.

In considering the suitability of the Property for the Project, the Management has taken into account, among other things, the location and accessibility of the Property and its physical condition and configuration.

The Property comprises Levels 3 to 14 of SPH New Asia Building with a total gross floor area of approximately 10,359.40 sq.m. We note from the Valuation Report that the locality of the Property is a mature commercial and residential area, which is well served by public facilities and a convenient public transportation network, with landmark developments such as Cloud Nine Shopping Mall and Zhongshan Park Business Hub located nearby. The Property is also located in proximity to the Zhongshan Park, Caojiadu and Global Harbour commercial districts and is approximately 700 metres' walking distance from Longde Road Station on Metro Lines 11 and 13. Having regard to the location of the Property and its accessibility to public transportation and surrounding commercial and residential amenities, we concur with the Management's view that the location of the Property is suitable for the proposed operation of the Project.

Based on the Management's assessment of the surrounding rental market, there is a gap in the supply of branded mid-tier rental apartments in the area. Accordingly, the Group intends to position the Project as a mid-tier rental apartment project principally targeting young white-collar tenants working in the surrounding areas. The Management expects that such positioning would enable the Project to differentiate itself from other rental accommodation offerings in the area and support more resilient occupancy rates and rental yields. We consider that such positioning is consistent with the positioning of the Group's existing U CHANGE rental apartment business.

We further understand from the Management that the Property is currently in a relatively basic state of decoration with a relatively open floor layout. Based on the preliminary design and assessment conducted by the Management, the existing configuration of the Property is suitable for the proposed conversion and fit-out into rental apartments and no material alteration to the principal structure of the building is expected to be required. These characteristics are expected to facilitate the renovation and conversion works and reduce the complexity, execution risk and capital outlay associated with the implementation of the Project, which in turn would be conducive to the overall potential return of the Project.

We have reviewed the legal opinion issued by Zhong Lun Law Firm (Shanghai), the legal adviser of the Company as to PRC law, concerning, among other things, (i) the legal status of the Property; and (ii) the regulatory and policy basis for the proposed conversion and fit-out of the Property into rental apartments (the "**PRC Legal Opinion**"). As set out therein, the existing registered use of the Property is for commercial and office use.

As set out in the PRC Legal Opinion, the prevailing government policies support the development of affordable rental housing through, among other things, the conversion of idle and inefficiently used existing non-residential existing properties, including commercial and office properties. According to the PRC Legal Opinion, the Property, being an existing non-residential property for commercial and office use, may be converted into affordable rental housing, subject to, among other things, compliance with applicable planning principles, unchanged ownership, and safety requirements, and completion of the requisite government review and other relevant procedures. We note that the proposed conversion and operation of the Property as rental apartments is in line with the aforesaid policy direction of encouraging the conversion of qualifying non-residential existing properties into affordable rental housing.

Pursuant to our discussions with the Management, we understand that, based on the Group's many years of experience in the real estate market in the PRC, including the residential leasing market in Shanghai, and the current encouragement policies mentioned above, the Management is confident in obtaining the relevant regulatory approval to convert the Property into rental apartments. In connection with this, the Management has also obtained and considered the PRC Legal Opinion, which has identified that the simplified approval procedure under the existing encouragement policies are applicable to the Project. As set out in the Letter from the Board, based on the Group's relevant operational experience and communications with relevant authorities to date, the relevant regulatory approval is currently expected to be obtained by 2027 and the Company is currently not aware of any material impediment to obtaining such approval.

According to the terms of the Lease Agreement, if Change Shanghai, after consultation with the relevant PRC government authorities, confirms that it is unable to procure the change in use of the Property to operate as rental residential apartments, the Lease Agreement shall terminate, with each party bearing no liability to the other and rent settled on an actual-use basis. In our view, this arrangement materially mitigates the regulatory approval risk relating to the Project and ensures the Group is not contractually committed to the full 15-year lease term if the relevant regulatory approval cannot be obtained. The Group's exposure is therefore limited to the rent for the period prior to the termination of the Lease Agreement and any conversion costs prudently incurred, rather than the full lease liability.

In preparing for the Project, we understand that the Management had assessed, among other things, (i) the requirement to change the approved use of the Property from office to residential; (ii) the physical configuration of the Property, including open floor plates, existing office layout and that no material structure alteration is expected, which supports the conversion of the Property into rental apartments; and (iii) the preliminary operational plan for the Project including, among others, (a) the conversion of the Property into 240 residential units; (b) the total expected capital expenditure of approximately RMB54.98 million, which will be funded by internal resources of the Group; and (c) the assessment of different rental scenarios based on the preliminary operational plan and research on the surrounding residential market, for which the Management concluded that the anticipated rental income would be sufficient to cover conversion, rental, operation and other related costs. We understand that, in assessing the Project, the Management had referred to current market information available from public rental website, and conducted sensitivity testing based on different potential rental rates, and noted that, based on such assessment, the investment in the Project is expected to be recovered within the term of the Lease. We noted also the Group's three existing award-winning U CHANGE rental housing projects in Shanghai, as already discussed above, which demonstrates the strong operational capability and successful business model of its rental apartment business.

Having considered all of the above, we consider that the (i) proposed operation of the Project is consistent with the Group's existing residential leasing business; (ii) the Group possesses relevant experience and operating capabilities for undertaking the Project; (iii) the Management has adequately considered the feasibility of obtaining the relevant regulatory approval and the plan for the conversion of the Property into rental apartments, and put in place suitable protection to terminate without penalty the Lease Agreement in the event the relevant regulatory approvals cannot be obtained; and (iv) undertaking the Project through the leasing of the Property represents a commercially reasonable means for the Group to further develop its rental accommodation business. Accordingly, we concur with the Directors' view that the entering into of the Lease Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

4. Principal terms of the Lease Agreement

Set out below is a summary of principal terms of the Lease Agreement.

Parties:	(1) SPH New Asia Pharmaceutical Co., Ltd., as the lessor; and (2) Change Shanghai, as the lessee.
Subject matter:	The Lessor is the registered owner of the Property. Pursuant to the Lease Agreement, Change Shanghai has agreed to lease the Property from the Lessor.

Property:	The Property forms part of the building known as SPH New Asia Building (上藥新亞大廈), located at No. 89 Jiangsu North Road, Changning District, Shanghai, the PRC. The Property comprises 12 floors, from Level 3 to Level 14 of the building, with a total gross floor area of approximately 10,359.40 sq.m. The Property may be used for commercial, office and, subject to obtaining the relevant regulatory approval, residential purposes. In addition, the Lease entitles the lessee to the free use of 12 underground car parking spaces within the building.
Term:	The term of the lease is for up to 15 years commencing from the date of approval of the Lease Agreement by the Independent Shareholders at the SGM, subject to renewal every three years. Each renewal is subject to Shanghai Pharmaceuticals Holding obtaining the necessary authorisations, approvals and complying with the applicable requirements, including those under the Listing Rules.
Rent:	The rent payable by Change Shanghai under the Lease Agreement is (i) RMB7,339,800 per annum for the first to fifth lease years; (ii) RMB7,559,994 per annum for the sixth to tenth lease years; and (iii) RMB7,786,794 per annum for the eleventh to fifteenth lease years, representing an increase of 3% every five years during the lease term. The rent is payable in advance on a monthly basis, and Change Shanghai is required to pay a rental deposit of RMB611,650, being equivalent to one month's rent payable during the first to fifth lease years.

	During the term of the Lease Agreement, Change Shanghai is responsible for the payment of the property management fee in respect of the Property at a monthly rate of RMB19.88 per sq.m. The property management fee is payable to Shanghai Shuxing Property Management Co. Ltd. (上海舒興物業管理有限公司). Shanghai Shuxing Property Management Co. Ltd. is the property manager of SPH New Asia Building and an affiliate of the owner of Levels 1 and 2 of SPH New Asia Building, being Shanghai Xinfen Enterprise Development Co. Ltd. (上海新奮企業發展有限公司). Both Shanghai Shuxing Property Management Co. Ltd. and Shanghai Xinfen Enterprise Development Co. Ltd. are third parties independent of the Company and its connected persons.
Disposal of the Property:	In the event that the Lessor intends to dispose of the Property during the lease term, Change Shanghai shall have a right of first refusal to acquire the Property on the same terms. Irrespective of whether Change Shanghai exercises such right of first refusal, the Lessor shall not terminate the Lease Agreement. Upon completion of the disposal of the Property, the new owner shall assume all rights and obligations of the Lessor under the Lease Agreement. In such event, Change Shanghai, the Lessor and the new owner will enter into an agreement in respect of the change in lessor under the Lease Agreement.
Early termination:	Pursuant to the Lease Agreement, other than in circumstances where early termination is expressly permitted under the Lease Agreement, either party may terminate the Lease Agreement prior to the expiry of the lease term by giving three months' prior written notice to the other party. The party initiating the early termination shall pay to the other party an early termination fee equivalent to twice the daily rent multiplied by the number of days of early termination, which shall not exceed three months' rent then payable under the Lease Agreement.

Further details of the principal terms of the Lease Agreement are set out in the Letter from the Board.

5. Assessment on the principal terms of the Lease Agreement

(i) The rental under the Lease Agreement

As set out in the Letter from the Board, the rental terms of the Lease Agreement were determined after arm's length negotiations between the parties with reference to the current market rental rates for properties comparable in size, location, and condition; the size of the Property, specifically the gross floor area available for use; the Property's location, including its proximity to public transportation and business districts; the state of the Property; and the duration of the lease.

In assessing the fairness and reasonableness of the rent payable by the Group under the Lease Agreement, we have obtained and reviewed the Valuation Report issued by the Independent Valuer which sets out their assessment of market rent for the Property as at the Valuation Date.

(a) Independent Valuer's background, qualifications and experience

As part of our due diligence, we have interviewed the Independent Valuer and made enquiries regarding its background, qualifications and experience. According to our interview and the information provided by the Independent Valuer, we understand that the Independent Valuer is a qualified international valuation firm with a full set of PRC valuation qualifications and solid experience in conducting property valuation and assessing the fairness and reasonableness of market rent of properties for major clients including listed companies and multinational corporations.

The valuation project is led by Mr. Eddie T. W. Yiu, who is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). He has 32 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region; and possesses up-to-date property market knowledge, along with necessary skills and industry expertise. As such, we are of the view that the Independent Valuer and the person responsible for preparing and signing the Valuation Report possesses the relevant qualification and experience in performing asset valuations.

We have also enquired with and obtained confirmation from the Independent Valuer regarding its independence from the Group and the Lessor, and have reviewed its terms of engagement. Based on our enquiries and review, we consider that its scope of work is appropriate for the purpose of assessing the market rent of the Property and are not aware of any limitations on its scope of work which might adversely affect the Independent Valuer's assessment.

In light of the above, we are not aware of any matters that would cause us to question the Independent Valuer's expertise or independence and consider that the Independent Valuer possesses the relevant qualifications and experience to perform the valuation of the market rent of the Property.

(b) Basis and assumptions adopted in the Valuation Report

We have reviewed the Valuation Report and understand that the Valuation Report was prepared in compliance with all the requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council. We consider the above to be acceptable and in line with market practice.

The Independent Valuer's assessment of the market rent has been made on the assumption that (i) the lessor leases the property in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the rental of the property; (ii) the property is ready for immediate occupation for a normal tenure of three to six years with reasonably good condition and the rent is inclusive of value-added tax, but exclusive of management fees, water and electricity charges and other outgoings; (iii) there is no charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a lease; (iv) the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its rental value; and (v) all proper title documents have been obtained and the property could be freely leased. Pursuant to our review, we consider all the assumptions made by the Independent Valuer in the Valuation Report to be general and commonly adopted assumptions in valuation reports.

As mentioned above, we have reviewed the PRC Legal Opinion, which states therein that the Lessor is the valid and registered owner of the Property.

Since no other unusual matters have come to our attention in this respect, we consider the basis and assumptions adopted in the Valuation Report to be fair and reasonable.

(c) Methodology adopted in the Valuation Report

According to the Valuation Report, the valuation was conducted on a market rent basis. Market rent is defined as "the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In arriving at its opinion of market rent, the Independent Valuer adopted the comparison approach by making reference to comparable market rental evidence as available in the relevant market. This approach rests on the wide acceptance of the market rental evidence as the best indicator and pre-supposes that evidence of relevant transactions/asking rent in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Upon our enquiry, we are advised by the Independent Valuer that they consider the other two generally accepted valuation approaches, namely the income approach and the cost approach, are not suitable because (i) the income approach typically derives rent from capital value or analyses existing cash flows, however, as the Property is current vacant and future net operating income is subject to significant uncertainty, this method is not suitable for determining current market rent; and (ii) the cost approach is a method typically used for determining property value (and not rental); as market rent is driven by supply and demand rather than construction costs, this approach is inapplicable for rent valuation. The Independent Valuer confirmed that given that relevant rental comparables are available, the comparison approach was the standard and most appropriate method for determining market rent and in line with market practice. Appropriate adjustments and analysis are considered to the differences in location, size, decoration, facility and other characters between the rental comparables and the subject property.

As the direct comparison approach references the market rental level of similar properties in nearby area, we concur with the view of the Independent Valuer that the direct comparison approach is the most appropriate approach to determine the monthly rent of the Property.

(d) Monthly rent of the Property

The Independent Valuer analysed relevant market rental evidence for similar properties within the relevant market. The Independent Valuer has identified a total of three market rental comparables (the "**Market Rent Comparables**"), which were selected based on the following key criteria: (i) timing — the property was listed within three months prior to the Valuation Date; (ii) location — the property is located within Shanghai's Inner Ring Road or possessing comparable accessibility; (iii) size — properties featuring large gross floor areas typical for bulk leasing; (iv) characteristics — office buildings completed in the 1990s with similar building age and facilities (the "**Selection Criteria**").

Summarised below are certain details of each of the leases of the Market Rent Comparables:

	A	**B**	**C**
Comparable	Office building in Jing'an District	Office building in Pudong New Area	Office building in Pudong New Area
Location	Shanghai Railway Station (Everbright Area)	Zhu Yuan Area	Lujiazui CBD
Building usage	Office	Office	Office
Year of completion	1991	1997	1998
Floor	L14–L15	L2–L12	B1, L1–L16
Gross floor area (sq.m.)	3,128	9,800	31,243
Unit rent before adjustment (RMB/sq.m./day)	1.74	1.93	2.05

We have been provided with the sources of rental information of the Market Rent Comparables and noted that such information was obtained from publicly available sources and/or verified and cross-referenced through the Independent Valuer's internal market channels. As advised by the Independent Valuer, based on the Selection Criteria, the Market Rent Comparables identified are exhaustive.

In arriving at the assessed market rent of the Property, the Independent Valuer considered various factors and made adjustments to the rental information of the Market Rent Comparables for differences between the Market Rent Comparables and the Property. As advised by the Independent Valuer, the factors considered and adjustments made are commonly adopted in assessing the market rent of comparable properties.

Summarised below are the details of the adjustments.

Adjustment Factors	**A**	**B**	**C**
Time	No adjustment	No adjustment	No adjustment
Location and accessibility	5%	No adjustment	–5%
Age and maintenance	4%	1%	No adjustment
Floor	No adjustment	No adjustment	No adjustment
Size	No adjustment	No adjustment	5%
Facility and decoration	No adjustment	No adjustment	No adjustment
Total adjustment	9%	1%	0%
Adjusted unit rent (RMB/sq.m./day)	1.90	1.95	2.05

We understand from the Independent Valuer that appropriate adjustments and analysis were considered to the differences in the aspects such as the dates of the comparable rental transactions, location and physical characteristics, as set out in the table above, between the Market Rent Comparables and the Property. The adjustments were determined based on the Independent Valuer's professional experience, whereby (i) a downward adjustment was made where a Market Rent Comparable was considered superior to the Property in the relevant aspect, and (ii) an upward adjustment was made where it was considered inferior to or less desirable than the Property in the relevant aspect. Pursuant to our discussion with the Independent Valuer regarding each adjustment factor set out above, we understand that:

- in respect of time, no adjustments are made by the Independent Valuer because the listings in respect of the Market Rent Comparables were made within a short period of time, i.e. within 3 months of the Valuation Date;

- in respect of location and accessibility, the Market Rent Comparables A, B and C are located in Shanghai Railway Station (Everbright Area), Pudong Zhu Yuan Area, and Pudong Lujiazui area, respectively. We understand that Changning District, in which the Property is located, is a mature mixed residential-commercial environment and benefits from access to 6 metro lines via Longde Road Station and interchanges. Market Rent Comparable A, is located in a predominantly transport and commercial hub which is less suitable for rental apartments and, while near to Shanghai Railway Station, lacks the same breadth of interchange connectivity as the Property. Market Rent Comparable B is located in a mature office submarket with good metro connectivity, which has no net advantage or disadvantage compared to the Property. Market Rent Comparable C is located in a premier financial district of Shanghai, commanding overall higher rents and prestige. The Independent Valuer considered the locations and accessibility of Market Rent Comparables A, B and C to be inferior, similar and superior, respectively, to that of the Property. The amount of the adjustment applied is based on the professional experience of the Independent Valuer;

- in respect of age and maintenance, the Market Rent Comparables A, B and C are older than the Property by 8 years, 2 years and 1 year, respectively. To reflect the age advantage of the Property as compared to the Market Rent Comparables, the Independent Valuer, based on its professional experience, applied a 1% adjustment for every 2 years' difference in age between Market Rent Comparables A and B and the Property. In respect of Market Rent Comparable C, as advised by the Independent Valuer, it is common industry practice that minor differences in building age, typically within 1 year, are considered immaterial, especially when the buildings are of similar construction quality and maintenance standards and, as such, no adjustment was made;

- in respect of floor, the Property occupies Levels 3 to 14 of the building, and the Market Rent Comparables occupy comparable mid-to-high floors. According to the professional experience of the Independent Valuer, floor-level differences within this range are not considered material and no adjustments were made;

- in respect of size, the Property is smaller than the Market Rent Comparable C, which is generally associated with higher unit rent for bulk leasing. The upward adjustment here reflects the Property's more manageable size. Market Rent Comparables A and B are of similar management size to the Property and no adjustments were made by the Independent Valuer; and

- in respect of facility and decoration, we understand from the Independent Valuer that the Market Rent Comparables, like the Property, had only basic facilities and decoration. No adjustments were therefore made by the Independent Valuer.

We have also enquired with the Independent Valuer their determination of the magnitude of the various adjustments applied and are advised by the Independent Valuer that the adjustments are based upon their professional experience, and that the adjustments on market rental comparables are typically no more than 20%. Should a comparable require such magnitude of adjustment, the Independent Valuer would be concerned whether such reference was, in fact, truly comparable to the subject property. In this case, the total adjustments to Market Rent Comparables A, B and C were 9%, 1% and nil, respectively. Having considered the above, we are of the view that the adjustments made by the Independent Valuer in respect of the Market Rent Comparables are appropriate, fair and reasonable.

In connection with this, we understand that the Independent Valuer inspected the Property on 2 September 2026 as part of its due diligence work, which included identifying the location of the Property and taking notes of its accessibility, entrances, layout, size, maintenance condition and state of decoration, as well as verifying whether the status of the Property was consistent with the relevant information provided by the Company. As set out in the Valuation Report, while Levels 3 and 4 are designated for commercial use on the title certificates, their existing use is office. The Independent Valuer primarily referenced office rental comparables because of the current office configuration, among other things, which reflects the subject property's characteristics and market positioning. Notwithstanding the Group's intention to convert the Property for residential use, as stipulated in the Lease Agreement, the Property is being leased by the Group from the Lessor on an "as is" basis, i.e. in existing office configuration, and the Group has the sole responsibility for the conversion of the Property into rental apartments, in this light, we consider that the rent payable under the Lease Agreement has been properly assessed by the Independent Valuer against what the Lessor could obtain for the Property in its existing condition and in accordance with the definition of market rent as set out in the Valuation Report. Accordingly, we hold the view that it is appropriate, fair and reasonable for the Independent Valuer to rely on office rental comparables in its assessment of the market rent of the Property. As none of the Market Rent Comparables was clearly superior or inferior to the Property across all adjustment criteria, equal weighting was applied to the three Market Rent Comparables following the respective adjustments. Based on the adjusted rental rates of the Market Rent Comparables, the Independent Valuer adopted a unit office market rent of RMB1.97 per sq.m. per day for the Property, based on its total gross floor area of 10,359.40 sq.m.

In respect of the 12 basement car parking spaces, the Independent Valuer assessed the monthly market rent at RMB800 per space based on and equivalent to the verified historical actual monthly rental rates for car parking spaces at SPH New Asia Building of RMB800 per space. The Independent Valuer has also cross-checked the monthly market rent against the prevailing monthly rental rates for car parking spaces at surrounding developments, which range from RMB700 to RMB1,200 per space. As set out in the Valuation Report, the verified historical actual monthly rental rate is regarded as the most reliable indicator of market rent. Given the historical actual monthly rental rate reflects the specific market dynamics of the basement car parking spaces at SPH New Asia Building, the Independent Valuer considered that no adjustments were needed. We have been provided with the source of the historical actual monthly rental rate of car parking spaces at SPH New Asia Building and noted that such information was obtained from a publicly available source. Having considered the above, the Independent Valuer considers, and we concur, that the assessed monthly rental rate of RMB800 per space is a reasonable and representative market rent for the abovesaid 12 basement car parking spaces.

Based on the above, the Independent Valuer assessed the total first-year market rent of the Property at approximately RMB7,560,000, inclusive of VAT but exclusive of building management fees. The Independent Valuer further advised that the adopted market rent represents an effective rent, with the impact of any potential rent-free periods fully embedded and therefore, no further adjustment for rent-free periods was considered necessary.

We note that the first-year rent payable by Change Shanghai under the Lease Agreement is RMB7,339,800, which is approximately 2.9% lower than the market rent of approximately RMB7,560,000 assessed by the Independent Valuer.

As set out in the Letter from the Board, the abovesaid rent payable under the Lease Agreement for the first to fifth lease years will step-up by about 3% for the sixth to tenth lease years, and step-up again by about 3% for the eleventh to fifteenth lease years. We have enquired with the Independent Valuer on the abovesaid rent step-ups and are given to understand that periodic rent escalations are consistent with market practice. According to information published by the World Bank, the PRC recorded historical GDP growth with 5-year compound annual growth rates ("**CAGR**") of (i) 5.25% from 2019 to 2023; (ii) 5.17% from 2020 to 2024; and (iii) 5.39% from 2021 to 2025. Further to the above, the PRC Government has set official annual GDP growth target of 4.5% to 5.0% for 2026, with the World Bank forecasting GDP growth in the PRC of 4.4% for 2026, 4.3% for 2027 and 4.2% for 2028. Each rent step-up of about 3% every 5 years during the term of the Lease represents a 5-year CAGR of about 0.6%, which is significantly lower than the (a) historical GDP growth in the PRC in recent

years; and (b) projected GDP growth in the PRC over the next few years, as illustrated above. On the basis of the above, we are of the view that the said rent step-ups during the term of the Lease Agreement are fair and reasonable from the perspective of the Group.

Having considered all factors discussed in this section as a whole, we consider the rent payable under the Lease Agreement is fair and reasonable, on normal commercial terms and no less favourable to the Group than terms available to the Group from Independent Third Parties for comparable properties.

(ii) The duration of the Lease Agreement

As the transactions contemplated under the Lease Agreement shall be treated as one transaction pursuant to Rule 14.22 of the Listing Rules, subject to and conditional upon the approval of the Independent Shareholders being obtained at the SGM, the duration of the Lease Agreement is therefore 15 years.

As set out in the Letter from the Board and as advised by the Management upon our enquiry, in determining the duration of the Lease Agreement, the Group has taken into account, among others, the renovation and fit-out works to be undertaken by the Group for the Project, the expected useful life of the leasehold improvements and the period over which the Group intends to operate the Project. We understand from the Management that the leasehold improvements to be made to the Property are expected to have a useful life of approximately 15 years.

Given that the Group will undertake the renovation and fit-out works required for the proposed operation of the Property as rental apartments, we concur with the Management's view that a longer lease term would provide the Group with a sufficiently long period to operate the Project and utilise the leasehold improvements to be made to the Property. On this basis, we consider a lease term of 15 years to be commercially justifiable in the circumstances.

We also note that in the event that the Lessor disposes of the Property during the lease term, irrespective of whether Change Shanghai exercises its right of first refusal to acquire the Property, the Lessor shall not terminate the Lease Agreement and, upon completion of the disposal of the Property, the new owner shall assume all rights and obligations of the Lessor under the Lease Agreement, which shall continue in full force and effect.

It is noted that the Lease Agreement is subject to renewal every three years, with each renewal being subject to Shanghai Pharmaceuticals Holding obtaining the necessary authorisations and approvals and complying with the applicable requirements, including those under the Listing Rules. In this respect, as set out in the Letter from the Board, the Management considers that the Group's interests are adequately protected in the event that the Lease is terminated early or not renewed. In the event that the Lessor terminates early, other than where the Lease

Agreement expressly permits, it must give three months' prior written notice and pay an early termination fee of up to three months' rent. In such event, as set out in the PRC Legal Opinion, under applicable PRC laws, Change Shanghai could be entitled to receive a fair share of the residual value of decoration and fit-out works as at the time of termination, including where the Lease Agreement is terminated in the circumstance described in paragraph (f) of the section headed "Early Termination" in the Letter from the Board. In addition to the above, having considered the nature and size of the transactions contemplated under the Lease Agreement relative to Shanghai Pharmaceuticals Holding and the applicable regulatory requirements, for which we are given to understand that the transactions contemplated thereunder (i) based on the latest published financial information of Shanghai Pharmaceuticals Holding, constitute *de minimis* transactions of Shanghai Pharmaceuticals Holding, which are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules; and (ii) are below the disclosure threshold and the shareholders' approval threshold under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and, having considered the above, assuming that there is no material adverse change in the circumstances of Shanghai Pharmaceuticals Holding or in the applicable regulatory requirements, the Management do not presently expect the renewal requirements to materially affect the intended 15-year operation of the Project.

Having considered the above, the Management considers, and we concur, that the potential impact on the Company and the operational risks in the event that the Lease is not renewed are low and manageable.

We have also reviewed, on a best effort basis, notifiable transaction announcements in respect of property leases (excluding finance leases, and sale and leaseback transactions) published by companies listed on the Stock Exchange on the website of the Stock Exchange (www.hkexnews.hk) during the period from 1 January 2026 to 31 August 2026 (the "**Comparable Leases**"). Based on our review, the Comparable Leases have lease terms ranging from six months to 25 years, of which seven have lease terms of 15 years or more. The 15-year duration of the Lease Agreement falls within the range of the Comparable Leases.

We note that the seven Comparable Leases with lease terms of 15 years or more were entered into by the relevant listed companies for the purposes of operating their principal businesses, including the development and operation of AI gaming digital industrial park, elderly care facilities, a shopping mall, and manufacturing facilities. Similarly, the Group entered into the Lease Agreement for the purpose of developing and operating the Property under its U CHANGE branded rental apartment business, which forms part of the Group's principal business.

Having considered the above, including the commercial rationale for the 15-year lease term and the duration of the Comparable Leases, we consider that the duration of the Lease Agreement is commercially justifiable and fair and reasonable, and that it is normal business practice for agreements of this purpose to be of such duration.

(iii) Conclusion on the principal terms of the Lease Agreement

Having considered (i) our due diligence work on the Valuation Report as discussed above; (ii) the assessment of the market rent of the Property by the Independent Valuer; (iii) our assessment of the duration of the Lease Agreement as discussed above; and (iv) our review on other material terms of the Lease Agreement, we consider the terms of the Lease Agreement, including the rent and duration, are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned.

OPINION

Having considered the above principal factors and reasons, we are of the view that the terms of the Lease Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, and the Lease Agreement and the transactions contemplated thereunder is carried out in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Lease Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Benny Ng
Managing Director
Corporate Finance

Mr. Ng is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. Mr. Ng has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Set out below is the text of a letter and valuation certificate prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its opinion of the market rent as at 27 August 2026 of the property to be leased by the Group.



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Company Licence No.: C-030171

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公司牌照號碼：C-030171

14 October 2026

The Board of Directors
Shanghai Industrial Urban Development Group Limited (the "Company")
11/F, Henley Building,
No. 5 Queen's Road Central,
Hong Kong

Dear Sirs,

In accordance with the instructions of the Company to value the market rent of Level 3 to Level 14, SPH New Asia Building, No. 89 Jiangsu North Road, Changning District, Shanghai (the "**Property**") held by SPH New Asia Pharmaceutical Co., Ltd. (上海上藥新亞藥業有限公司, "**Lessor**", a direct non-wholly-owned subsidiary of Shanghai Pharmaceuticals Holding) to be leased to SIUD Change (Shanghai) Property Operation Management Co., Ltd. (上實城開阡集(上海)置業經營管理有限公司, "**Change Shanghai**", an indirect wholly-owned subsidiary of the Company) in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market rent of the property interest as at 27 August 2026 (the "**valuation date**") for disclosure purpose.

Our valuation is carried out on a market rent basis. Market rent is defined as "the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In arriving at our opinion of market rent, we have adopted the comparison approach by making reference to comparable market rental evidence as available in the relevant market. This approach rests on the wide acceptance of the market rental evidence as the best indicator and presupposes that evidence of relevant transactions/asking rent in the market place can be extrapolated to similar properties, subject to allowances for variable factors. Given that relevant rental comparables are available, we have therefore used comparison approach which is in line with the market practice. Appropriate adjustments and analysis are considered to the differences in location, size, decoration, facility and other characters between the comparable properties and the Property.

Our valuation has been made on the assumption that the lessor leases the Property in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the rental of the Property. The Property is ready for immediate occupation for a normal tenure of three to six years with reasonably good condition and the rent is inclusive of value-added tax, but exclusive of management fees, water and electricity charges and other outgoings.

The property usage is the permitted use stipulated on the title certificates, with levels 3–4 designated as shopping mall and levels 5–14 as office. Given that the entire Property is currently occupied and operated as office space, which aligns with its functional layout and market demand, this valuation is based on the existing office use across all levels.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a lease. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its rental value.

In the course of valuation, we have assumed that all proper title documents have been obtained and the Property could be freely leased.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We confirm that no information provided by connected persons of the Company was relied upon in forming our valuation opinion, other than (a) copies of the property's Real Estate Title Certificates; and (b) authorisation for internal and external site inspections. All other data used in the valuation, including rental comparables and assumptions, were sourced independently from our proprietary database and publicly available channels.

We have been shown copies of Real Estate Title Certificates relating to the property interest and have made relevant enquiries. However, we have not examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Zhong Lun Law Firm (Shanghai), concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Inspection of the Property was carried out on 2 September 2026 by Mr. Stone Chen, who is a China Qualified Real Estate Appraiser and has more than 16 years' valuation experience in the real estate industry of the PRC. The site inspection mainly includes due diligence work to identify the property location, taking notes of the accessibility, entrances, layout, size, maintenance condition and decorative order and other attributes of the Property, as well as verifying whether the property's status aligns with the rent roll and other information provided by the Company. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note "ESG and Sustainability in commercial property valuation (4th Edition)."

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the Property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Mr. Yiu joined Jones Lang LaSalle Corporate Appraisal and Advisory Limited in 2009 and has 32 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region. Mr. Yiu possesses up-to-date property market knowledge, along with necessary skills and expertise to perform the valuation competently.

VALUATION CERTIFICATE

Property to be leased to the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market rent in existing state as at 27 August 2026 *RMB*
Level 3 to Level 14, SPH New Asia Building, located at No. 89 Jiangsu North Road, Changning District, Shanghai the PRC (中國上海市長寧區江蘇北路89號上藥新亞大廈第3層至第14層)	The Property is located west of Jiangsu North Road in Changning District, Shanghai, with its southern side adjacent to Changning Road. The locality is a mature commercial and residential area. It is well served by public facilities and a convenient public transportation network, and landmark developments such as Cloud Nine Shopping Mall and the Zhongshan Park Business Hub are located nearby. SPH New Asia Building sits on a land parcel with a site area of approximately 7,480 sq.m. It is a mixed-use commercial and office composite development, comprising 14 storeys above ground plus one basement level, completed in 1999. The Property comprises the entire Levels 3 to 14 of the building, with a total gross floor area of approximately 10,359.40 sq.m. Additionally, it also includes the exclusive use rights of 12 car parking spaces located on Level B1. The land use rights of the Property have been granted for the terms expiring on 18 March 2047 for mixed-use purposes and expiring on 29 December 2052 for office use.	As at the valuation date, the Property (including the 12 car parking spaces) was vacant.	7,560,000 for the first-year, inclusive of VAT but exclusive of rent-free period and building management fee

Notes:

1. Pursuant to 12 Real Estate Title Certificates — Hu (2016) Chang Ning Bu Dong Chan Quan Di Nos. 001943 to 001954, the land use rights of the Property with an apportioned site area of approximately 1,700.80 sq.m. have been granted to the Lessor for the terms expiring on 18 March 2047 for mixed-use purposes and expiring on 29 December 2052 for office use. The Property with a total gross floor area of approximately 10,359.40 sq.m. (exclusive of the 12 car parking spaces on Level B1) is held by the Lessor.

2. According to the information provided by the Company, the details of gross floor area of the Property are set out as below:

Floor	**Existing Use**	**Gross Floor Area (sq.m.)**
Level 3	Office	849.05
Level 4	Office	849.05
Level 5	Office	866.13
Level 6	Office	866.13
Level 7	Office	866.13
Level 8	Office	866.13
Level 9	Office	866.13
Level 10	Office	866.13
Level 11	Office	866.13
Level 12	Office	866.13
Level 13	Office	866.13
Level 14	Office	866.13
Sub-total:		**10,359.40**
Level B1	Car parking	n/a
Total:		**10,359.40**

3. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation, we have analyzed relevant market rental evidence for similar properties within the relevant market. The selection of rental comparables was based on the following key criteria: (1) timing — comparables listed within three months prior to the valuation date; (2) location — properties located within Shanghai's Inner Ring Road or possessing comparable accessibility; (3) size — properties featuring large gross floor areas typical for bulk leasing; and (4) characteristics — office buildings completed in the 1990s with similar building age and facilities. Based on these criteria, the selected comparables are considered exhaustive.

   The unit rents of these comparable properties range from RMB1.74 to RMB2.05 per day per sq.m. for office use. Appropriate adjustments and analysis are considered to the differences in several aspects including time, location and physical characteristics between the comparable properties and the Property. The general basis of adjustment of physical characteristics like size, floor and decoration, etc. and location is that if the comparable property is superior to the Property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the Property, an upward adjustment is made.

Office Rental Comparables

Details of the three comparable properties and adjustments are set out below:

	A	B	C
Comparable	Office building in Jing'an District	Office building in Pudong New Area	Office building in Pudong New Area
Location	Shanghai Railway Station (Everbright Area)	Zhu Yuan Area	Lujiazui CBD
Building usage	Office	Office	Office
Year of completion	1991	1997	1998
Floor	L14–L15	L2–L12	B1, L1–L16
Gross floor area (sq.m.)	3,128	9,800	31,243
Unit rent before adjustment (RMB/sq.m./day)	1.74	1.93	2.05
Adjustment Factors			
Time	No adjustment	No adjustment	No adjustment
Location and accessibility	5%	No adjustment	–5%
Age and maintenance	4%	1%	No adjustment
Floor	No adjustment	No adjustment	No adjustment
Size	No adjustment	No adjustment	5%
Facility and decoration	No adjustment	No adjustment	No adjustment
Total adjustment	9%	1%	0%
Adjusted unit rent (RMB/sq.m./day)	1.90	1.95	2.05

While Levels 3 and 4 are designated for commercial use on the title certificates, their existing use is office. The valuation primarily makes reference to office rental comparables because the current office configuration and large floor plates are more preferred usage reflecting the Property's physical characteristics and market positioning.

Equal weighting was applied to the three comparables following due adjustments. Consequently, we have adopted a unit office market rent of RMB1.97 per sq.m. per day, based on a total gross floor area of 10,359.40 sq.m. Regarding car parking, the monthly market rent for the 12 basement parking spaces is valued at RMB800 per space. This valuation assessment is primarily derived from the Property's verified actual historical rental rate for basement car parking spaces, which is regarded as the most reliable indicator of market rent. This adopted rate is further supported by our market survey of surrounding developments, where prevailing rental rates range from RMB700 to

RMB1,200 per space per month. No further adjustments were applied as the historical actual transaction price already reflects the specific market dynamics of these basement car parking spaces. This results in a total first-year market rent of approximately RMB7,560,000, inclusive of VAT but exclusive of building management fees. The adopted market rent represents an effective rent, with the impact of any potential rent-free periods fully embedded; therefore, no further adjustment is considered necessary in this regard.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, Zhong Lun Law Firm (Shanghai), which contains, *inter alia*, the following:

   (a) The Lessor is the registered owner of the Property and holds the valid Real Estate Title Certificates. It is entitled to lawfully possess, use, derive income from and dispose of the Property in accordance with applicable PRC laws;

   (b) According to the search results from the Shanghai Real Estate Register as at 10 September 2026, there are no mortgages, seizures, judicial freezes, or other third-party rights restrictions registered against the property. The Lessor has the rights to use and lease out the Property within the land use term in accordance with the approved purposes;

   (c) The Lessor is a limited liability company duly established and validly existing under the laws of the PRC, and has the legal capacity and subject qualification to hold the title to the Property and to enter into lease agreements regarding the property; and

   (d) The land use rights of the Property have been granted for mixed-use purposes (expiring on 18 March 2047) and for office use (expiring on 29 December 2052). The specific registered use of the Property is for commercial and office uses. Pursuant to relevant PRC policies (including Guo Ban Fa (國辦發) [2021] No. 22), the Property may be converted into rental apartments upon obtaining project recognition from the local government, without changing the land use nature or paying additional land premiums. As of the date of the legal opinion, no such recognition has been obtained.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any 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 as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, substantial Shareholders and other persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which 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 as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below.

Name of substantial Shareholders	Capacity	Number of Shares held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	2,111,229,080(L)[(1)(2)(3)]	44.16%
SIIC	Held by controlled corporation	3,367,223,977(L)[(1)(2)(3)(4)]	70.44%

Notes:

(1) L denotes long position.

(2) These include 2,061,229,080 shares of the Company held by S.I. Smart Charmer Limited and 50,000,000 shares of the Company that are deemed to be held by Novel Good Limited under the pledge described in note 3 below. As S.I. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL, which is in turn controlled by SIIC, SIHL and SIIC are deemed or taken to be interested in the interests in the shares of the Company held by S.I. Smart Charmer Limited and Novel Good Limited.

(3) These interests include 50,000,000 shares of the Company (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which was pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 shares of the Company.

(4) SIIC, through Shanghai Investment Holdings Limited (a subsidiary of SIIC) held approximately 55.13% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 2,111,229,080 shares of the Company held by SIHL for the purpose of the SFO. On the other hand, SIIC is also deemed or taken to be interested in the 1,255,994,897 shares of the Company held by its subsidiaries, namely SIIC Trading Company Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC CM Development Limited, SIIC Capital (B.V.I.) Limited and Shanghai Investment Holdings Limited.

Save as disclosed herein, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which 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 which were recorded in the register required to be kept by the Company under section 336 of the SFO.

(c) As at the Latest Practicable Date, so far as was known to the Directors, the relevant positions held by the Directors were as follows:

(i) Mr. Huang Haiping is also an employee of SIIC, holding the position of vice president; and

(ii) Ms. Zhou Yadong is a vice president and chief financial officer of Shanghai Pharmaceuticals Holding.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, to the best of the Directors' knowledge and belief:

(a) none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2025, being the date to which the latest published audited accounts of the Company were made up; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interest in business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

5. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had or was proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the Group's latest published audited consolidated financial statements were made up.

7. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Optima Capital	A corporation licensed to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

As at the Latest Practicable Date, the above experts have:

(a) no shareholding in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) no direct or indirect interest in any assets which had been, since 31 December 2025 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports and references to its name in the form and context in which they appear.

8. MISCELLANEOUS

(a) The registered office of the Company is at Richmond House, 12 Par-la-Ville Road, Hamilton, HM 08, Bermuda, and the principal place of business in Hong Kong is at 11/F, Henley Building, No. 5 Queen's Road Central, Hong Kong.

(b) The company secretary of the Company is Mr. Chan Kin Chu, Harry who is a solicitor of the High Court of the Hong Kong Special Administrative Region.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(d) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.siud.com) for a period of 14 days from the date of this circular:

(a) the Lease Agreement;

(b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 36 of this circular;

(c) the Valuation Report, the text of which is set out on pages I-1 to I-8 of this circular;

(d) the written consent of the experts as referred to in the section headed "*Qualification and Consent of Experts*" of this appendix; and

(e) this circular.

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Shanghai Industrial Urban Development Group Limited (the "**Company**") will be held at Ballroom, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Wednesday, 4 November 2026 at 3:00 p.m. (or an adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the transactions contemplated under the lease agreement dated 27 August 2026 entered into between SPH New Asia Pharmaceutical Co., Ltd., (the "**Lessor**") and SIUD Change (Shanghai) Property Operation Management Co., Ltd. (the "**Lessee**") in relation to the property in the part of the building known as SPH New Asia Building (上藥新亞大廈), located at No. 89 Jiangsu North Road, Changning District, Shanghai, the PRC, (the "**Lease Agreement**") (a copy of which is tabled at the meeting and marked "A" and initialled by the Chairman for identification purpose), be and are hereby confirmed, ratified and approved; and

(b) any one director of the Company or the secretary of the Company (a director and the secretary of the Company, or any two directors of the Company, or a director of the Company and some other person appointed by the Board for the purpose, if the affixation of the common seal is necessary) be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company on) any such other documents, instruments and agreements and to do any such acts or things deemed by them to be incidental to, ancillary to or in connection with the implementation of and giving effect to the Lease Agreement and the transactions contemplated thereunder."

By Order of the Board of
Shanghai Industrial Urban Development Group Limited
Huang Haiping
Chairman

Hong Kong, 14 October 2026

Notes:

1. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, 30 October 2026 to Wednesday, 4 November 2026, both days inclusive, during which period no transfer of shares of the Company will be registered. The record date for determination of entitlement of the members of the Company to attend and vote at the SGM will be on Wednesday, 4 November 2026. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 29 October 2026.

2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.

4. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours (Hong Kong Time) before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy previously submitted shall be deemed to be revoked.

5. The votes to be taken at the meeting for the resolution will be by way of poll.