

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.