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)

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

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 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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, 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.

A circular containing, among other matters, (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 notice of SGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 September 2026. Shareholders and potential investors should note that the Lease Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM.

INTRODUCTION

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 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.

PRINCIPAL TERMS OF THE LEASE AGREEMENT

The principal terms of the Lease Agreement are summarised as follows:

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 or 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 compliance with the applicable requirements including 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.

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.

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' monthly rent then payable under the Lease Agreement.

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 阡寓 CHANGE brand, consistent with the Group's ongoing strategy of expanding its rental apartment business and using the 阡寓 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 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.

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 who will form their view after considering the advice of the Independent Financial Adviser) 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.

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 阡寓 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.

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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.

A circular containing, among other matters, (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 notice of SGM; and (v) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 September 2026. Shareholders and potential investors should note that the Lease Agreement and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM.

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.

DEFINITIONS

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

"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, 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 directors 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 of 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 close associates

"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 subsidiary of Shanghai Pharmaceuticals Holding
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which, solely for the purposes of this announcement, excludes Hong Kong, the 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
"SGM"	the special general meeting of the Company to be convened 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))
"Shares"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	registered holder(s) of the Share(s)
"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
"%"	per cent.

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

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

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

Hong Kong, 27 August 2026

As at the date of this announcement, the Board comprises Mr. Huang Haiping, Mr. Li Zhonghui and Ms. Zhou Yadong as executive Directors and Mr. Doo Wai-Hoi, William, B.B.S., J.P., Dr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David, M.H. and Dr. Chan Ho Wah, Terence as independent non-executive Directors.