OVERVIEW

The history of the Group traces back to 1994 when the Company was established in Beijing, the PRC. In 2010, the A Shares of the Company were listed on the Shanghai Stock Exchange (stock code: 601126). After 30 years of development, the Company has become a new electricity system solution provider commanding a leading position in the protection and automation solution market in China.

MILESTONES

The following sets out the summary of the Company's key business development milestones:

Year	Milestone
1994	The Company was established in Beijing, the PRC.
1995	The Company developed China's first layered and distributed substation automation system, which was applied at the Zhuhai Nanping 220kV substation.
2002	The Company's layered and distributed substation automation system was awarded the Second Prize of the National Science and Technology Progress Award (國家科技進步二等獎).
	The Company established its research, development and manufacture base in Nanjing, the PRC.
2004	The Company launched China's first wide-area real-time monitoring and stability control pre-decision system applicable to large power grid systems, representing a leading position at the international level.
2007	The Company was recognized as a National Enterprise Technology Center (國家級企業技術中心).
	The Company pioneered in China the introduction of shaft torsional vibration protection devices and supplementary excitation damping control devices for steam turbine generator sets, achieving an internationally leading level.
2010	The A Shares were listed on the Shanghai Stock Exchange (stock code: 601126).
2012	The Company established its manufacture base for protective automation and power electronics equipment in Baoding, the PRC.
2013	The Company established its research and development base in Wuhan, the PRC.
	The Company participated in the world's first multi-terminal flexible DC transmission project, the Nan'ao Project, with multiple products including security and stability control, DC protection and SCADA systems successfully deployed in the project.
2015	The Company established its first overseas subsidiary in India.
	The Company established its switchgear manufacture base in Huzhou, the PRC.
2016	The Company's technology, equipment and application for the control and protection of sub-synchronous resonance/oscillation of large steam turbine generator sets was awarded the Second Prize of the National Science and Technology Progress Award (國家科技進步二等獎).

Year	Milestone
2018	The Company was awarded National Technology Innovation Demonstration Enterprise (國家技術創新示範企業).
2021	The Company was selected as one of the first batch of "Hidden Champion" (隱形冠軍) enterprises in Beijing.
2023	The Company was recognized as a National Green Factory (國家綠色工廠).
2024	The Company was recognized as a Manufacturing Single Champion Enterprise (製造業單項冠軍企業).
2026	The Company established Beijing Sifang Shuzhi Energy Technology Co., Ltd. (北京四方數智能源科技有限公司) as its subsidiary and expanded into the artificial intelligence data center (AIDC) business.

MAJOR SUBSIDIARIES

The following sets out the principal business activities, place of establishment and date of establishment of the Company's subsidiaries that made a material contribution to the Group's results of operations during the Track Record Period.

Name of subsidiary	Place of establishment	Date of establishment	Equity interest attributable to the Company	Principal business activities
Beijing Sifang Engineering Technology Co., Ltd. (北京四方繼保工程技術有限公司, "**Beijing Sifang Engineering**")	PRC	November 6, 2003	100%	Research and development, system integration, sales and engineering services
Nanjing Sifang Yineng Power Automation Co., Ltd. (南京四方億能電力自動化有限公司, "**Nanjing Sifang Yineng**") .	PRC	May 22, 2002	100%	Research, development and manufacturing of secondary equipment
Baoding Sifang Engineering Technology Co., Ltd. (保定四方繼保工程技術有限公司, "**Baoding Sifang Engineering**")	PRC	January 22, 2015	100%	Manufacturing and project delivery
Baoding Sifang Sanyi Electric Co., Ltd. (保定四方三伊電氣有限公司, "**Sifang Sanyi**") .	PRC	April 25, 2000	100%	Research, development and manufacturing of power electronics

MAJOR SHAREHOLDING CHANGES OF THE COMPANY

Early Development and Conversion into a Joint Stock Company

On April 8, 1994, the Company was established under the laws of the PRC as a sino-foreign joint venture enterprise (中外合資經營企業) under the name of Beijing Hathaway Sifang Protection and Control Equipment Co., Ltd. (北京哈德威四方保護與控制設備有限公司) with an initial registered capital of US$700,000. It was held as to 75% by Beijing Sifang Protection and Control Company (北京市四方保護控制公司, "**Sifang Protection and Control**") and 25% by Hathaway Corporation, an Independent Third Party.

Between April 1998 and September 1999, the Company underwent capital increase and equity transfer, upon completion of which its registered capital increased to US$1,300,000 and was held as to 67% by Sifang Protection and Control, 23% by Hathaway Corporation and 10% by two other then Shareholders, each an Independent Third Party.

In December 1999, Sifang Protection and Control transferred all the equity interest in the Company held by it to certain then Shareholders and other investors, including, among others, Sifang Electric. Immediately after completion of the equity transfer, the Company was held as to 22.1% by Sifang Electric as its largest Shareholder.

Between July 2000 and July 2003, the Company underwent a series of capital increases and equity transfers, upon completion of which its registered capital increased to RMB52,000,000.

On January 16, 2004, the Company was converted into a joint stock company with limited liability and was renamed as Beijing Sifang Automation Co., Ltd. (北京四方繼保自動化股份有限公司), which were held as to approximately 76.34% by Sifang Electric, 1% by Dr. Yang Qixun and approximately 22.66% by three other then Shareholders of the Company, each holding no more than 10% of the Shares and being an Independent Third Party at the time of the conversion.

Subsequent Shareholding Changes after the Conversion into a Joint Stock Company

Subsequent to the conversion into a joint stock company, the Company underwent additional share transfer and capital increase, upon completion of which the registered capital of the Company increased to RMB318,734,000 and was held as to approximately 77.84% by Sifang Electric, 1% by Dr. Yang Qixun and approximately 21.16% by three other then Shareholders of the Company, each holding no more than 10% of the Shares and being an Independent Third Party by then.

From April 2000 to February 2010, Sifang Electric underwent a series of capital increases and equity transfers, upon completion of which Dr. Yang Qixun and Dr. Wang Xuzhao became the two largest shareholders of Sifang Electric, holding approximately 27.07% and 19.54% of the equity interest in Sifang Electric, respectively.

Listing on the Shanghai Stock Exchange

In December 2010, the A Shares were listed on the Shanghai Stock Exchange (stock code: 601126) (the "**A-Share Listing**"). The Company offered a total of 82,000,000 A Shares under the A-Share Listing, representing approximately 20.46% of the Company's enlarged share capital immediately following the completion of the A-Share Listing. Immediately upon the completion of the A-Share Listing, the share capital of the Company increased to RMB400,734,000.

Adoption of Restricted Share Incentive Plans, Repurchase of A Shares and Capitalization Issue

After the A-Share Listing, the Company adopted two restricted share incentive plans, pursuant to which the Company issued restricted shares in August 2011, November 2023 and September 2024, respectively. In addition, the Company from time to time repurchased and cancelled certain A Shares which were granted but locked restricted A Shares under the restricted share incentive plans. For details of the Restricted Share Incentive Plan currently in effect, see "Statutory and General Information — Restricted Share Incentive Plan" in Appendix IV to this document.

In September 2015, the extraordinary general meeting of the Company passed a resolution to effect a one-for-one capitalization issue to all then existing Shareholders by capitalizing its reserves.

MATERIAL ACQUISITION, MERGER AND DISPOSAL

Throughout the Track Record Period and up to the Latest Practicable Date, the Company did not conduct any material acquisitions, mergers or disposals.

LISTING ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE H SHARE [REDACTED]

Since December 2010, the A Shares have been listed on the Shanghai Stock Exchange. The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Company has complied with all laws and regulations, in all material respects, applicable to its A-share Listing. To the best knowledge of the Directors, there are no material matters in relation to the compliance record of the Company on the Shanghai Stock Exchange that should be brought to the attention of the Stock Exchange or potential investors of the [**REDACTED**]. As advised by the PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, the Company has not been subject to any material administrative penalties or regulatory measures imposed by the CSRC, the Shanghai Stock Exchange or other PRC securities regulatory authorities. Based on the independent due diligence conducted by the Sole Sponsor, no material matter has come to the Sole Sponsor's attention that would cause it to disagree with the Directors' confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

The Company seeks to [**REDACTED**] its H Shares on the Stock Exchange to raise additional capital for business growth and expansion, optimize its capital structure, diversify its financing channels, enhance the international influence of its brand and accelerate the expansion of its overseas business to support its sustainable and high-quality development and governance. See "Business — Our Strategies" and "Future Plans and Use of [**REDACTED**]" in this document for more details.

PUBLIC FLOAT AND FREE FLOAT

Pursuant to Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules, as the Company has A Shares apart from the H Shares for which the [**REDACTED**] is sought, the H Shares for which the [**REDACTED**] is sought that are held by the public, at the time of the [**REDACTED**], must (a) represent at least 10% of the Company's total number of issued Shares (excluding treasury shares); or (b) have an expected market value of not less than HK$3 billion.

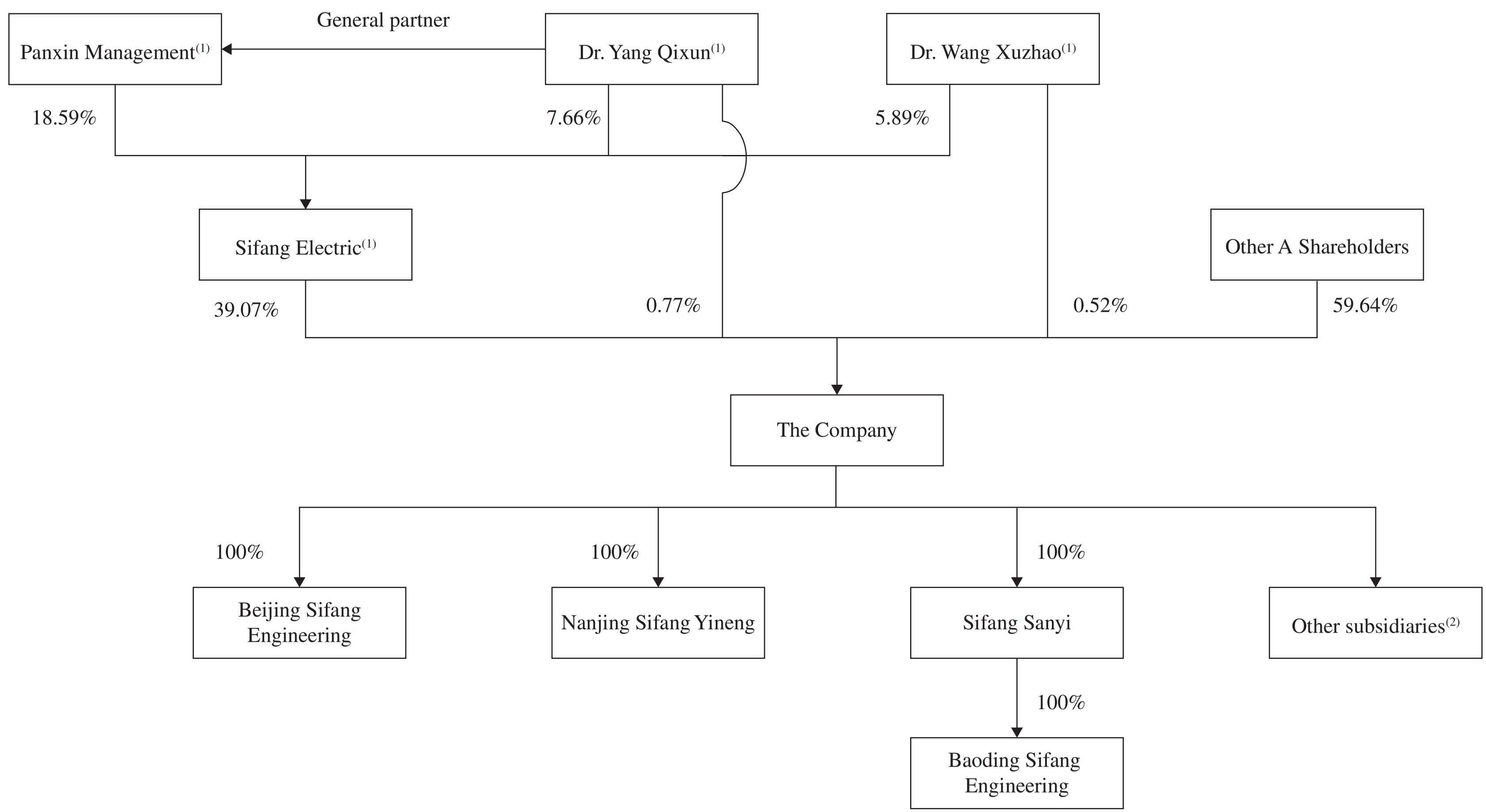
The total number of the H Shares to be issued pursuant to the [**REDACTED**] represents approximately [**REDACTED**]% of the enlarged issued share capital of the Company (assuming the [**REDACTED**] is not exercised). Upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), all of the H Shares to be issued are expected to be held by the public, representing approximately [**REDACTED**]% of the total issued share capital of the Company, which satisfies the prescribed percentage of the H Shares required under Rule 19A.13A(2)(a) of the Listing Rules, thereby satisfying Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules.

Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share, being the low end of the indicative [**REDACTED**] range, the Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

CORPORATE STRUCTURE

Corporate Structure Immediately before the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of the Group immediately before the [**REDACTED**]:



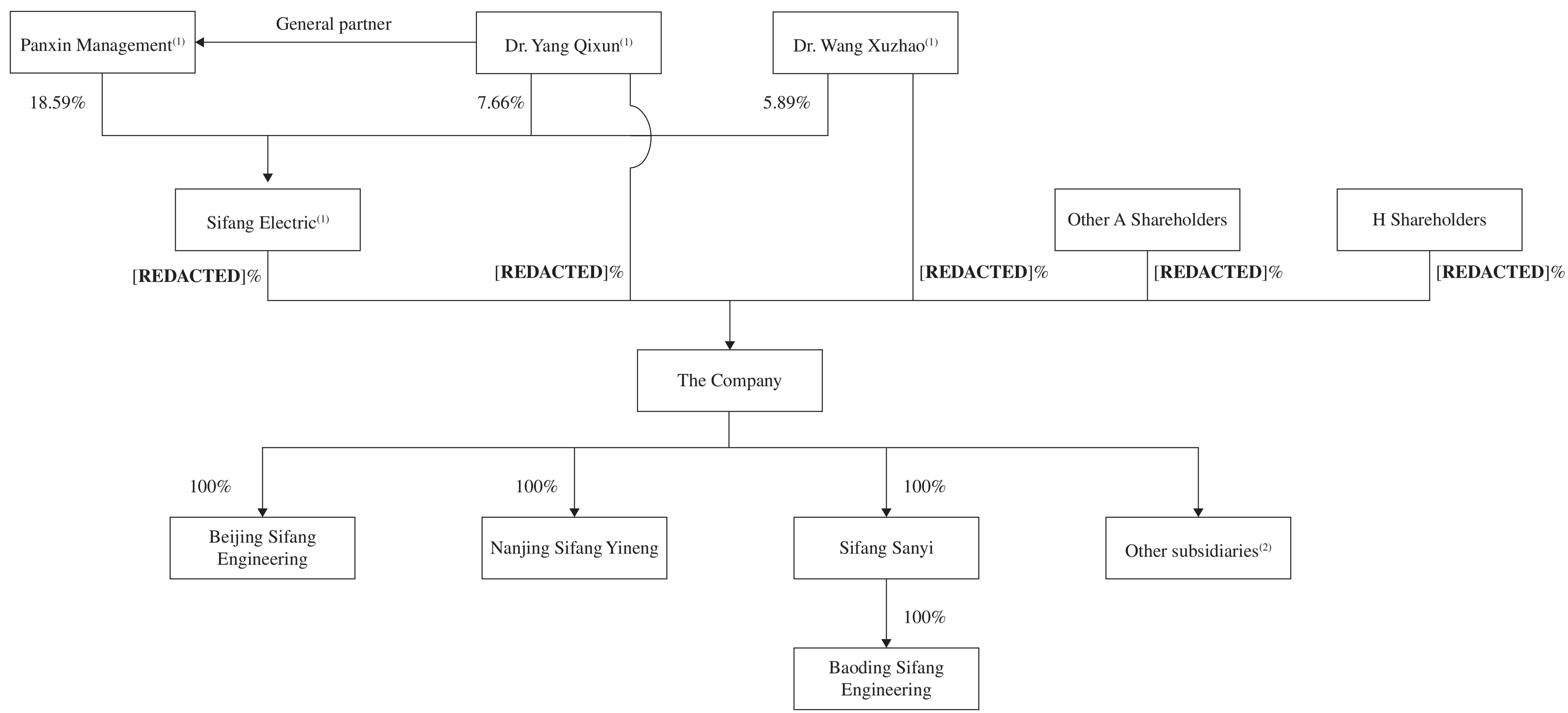
Notes:

(1) As of the Latest Practicable Date, Sifang Electric was directly held as to, among others, approximately (i) 3.66% by Dr. Yang Qixun, (ii) 4.70% by Dr. Wang Xuzhao, and (iii) 18.59% by Panxin Management. Dr. Yang Qixun served as the general partner of Panxin Management. Dr. Yang Qixun and Dr. Wang Xuzhao have entered into the Acting-in-Concert Agreement, pursuant to which they agreed to act in concert in respect of, among other things, the requisition of board meetings and general meetings of Sifang Electric, proposals at such meetings and voting thereon. In addition, 17 shareholders of Sifang Electric, holding in aggregate approximately 4.00% of the total issued share capital of Sifang Electric, have entrusted the exercise of their voting rights at the general meetings of Sifang Electric to Dr. Yang Qixun, and 15 shareholders of Sifang Electric, holding in aggregate approximately 1.19% of the total issued share capital of Sifang Electric, have entrusted the exercise of their voting rights at the general meetings of Sifang Electric to Dr. Wang Xuzhao. See "Relationship with Controlling Shareholders" for further details.

(2) As of the Latest Practicable Date, other subsidiaries included 15 subsidiaries established in the PRC, Hong Kong, India, Kenya and the Philippines.

Corporate Structure Immediately after the [REDACTED]

The following chart sets forth the simplified shareholding and corporate structure of the Group immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

(1) and (2) See "— Corporate Structure — Corporate Structure Immediately before the [**REDACTED**]" in this section.