

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

We are a natural gas operator in Gaomi City, Weifang Municipality of Shandong Province. The history of our Group can be tracked back to July 2003 when Jiaoyun Gas, our first operating subsidiary, was established in the PRC. Upon establishment, Jiaoyun Gas was held by Gaomi Traffic Transportation (Group) Co., Ltd.* (高密市交通運輸(集團)有限公司) (“**Gaomi Traffic**”) as to 80% and Jiaoyun Car Transport as to 20%, respectively. We consider Jiaoyun Car Transport as our founder since it paid up the initial registered capital of RMB5,000,000 of Jiaoyun Gas upon establishment. Mr. Luan Linjiang, our Chairman and executive Director, was appointed as the legal representative, the general manager and the chairman of the board of directors of Jiaoyun Gas at the time of its establishment. Please refer to “— Our Corporate Development — 2. Our Operating Subsidiaries — Jiaoyun Gas” in this section for further details.

On 30 September 2005, Jiaoyun Gas obtained a gas operation licence for the sale of PNG. On 18 November 2005, the principal business scope of Jiaoyun Gas changed from “preparation for construction” to “operation of pipeline natural gas”. Since then, our Group have been engaged in natural gas related businesses within Gaomi City, Shandong Province.

Our Company was incorporated on 9 March 2021 in the Cayman Islands and, as part of our Reorganisation, became the holding company of our Group with our business being conducted through our subsidiaries. Please refer to “— Reorganisation” in this section for further details.

KEY MILESTONES

Our key development milestones include:

Year	Events
July 2003	Jiaoyun Gas, our first operating subsidiary was established in the PRC.
March 2004	We completed the construction of Liquan Avenue Gate PNG gasification station, our first city gateway station which receives pipeline gas from Jinan-Qingdao II transmission pipelines of Sinopec* (中石化濟南-青島II號管綫).
August 2005	We commenced our sale of PNG as an interim test run (試運行) pending the issuance of a gas operation licence for the sale of PNG.
September 2005	Jiaoyun Gas obtained a gas operation licence for the sale of PNG and we formally commenced our sale of PNG.
June 2007	We completed the construction of our first CNG and LNG refuelling station in Gaomi City, Shandong Province.

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Year	Events
August 2009	We were granted an exclusive right pursuant to our Concession Agreement dated 18 August 2009 entered into with Gaomi City Bureau of Municipal Affairs Administration* (高密市市政管理局) to operate PNG sales and related businesses within the granted area of Gaomi City with an effective term of 30 years.
October 2011	We completed the construction of our second CNG and LNG refuelling station located at south of Gaomi City, Shandong Province.
October 2012	Natural gas from Sinopec and PetroChina was first transmitted to us through Xianjia Gate PNG station which receives PNG from Taian-Qingdao-Weihai transmission pipelines of PetroChina* (中石油泰安-青島-威海管綫).
January 2014	Jiaoyun Shihua obtained a gas operation licence for the sale of CNG.
November 2016	We completed the construction of our third CNG and LNG refuelling station located at northeast of Gaomi City, Shandong Province.
January 2018	We completed the construction of our peak-shaving LNG station as a back-up source of PNG in the event of emergencies, unexpected incidents, sudden demand surges, suspension or disruption.

OUR CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group was comprised of our Company and seven subsidiaries. Set out below is a brief history of our Company and its subsidiaries.

1. Our Company

Our Company, the [REDACTED] vehicle of our Group, was incorporated in the Cayman Islands as an exempted company with limited liability on 9 March 2021 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 September 2021. As at the Latest Practicable Date, our Company was held as to 56%, 33%, 10% and 1% by LXL Phoenix, LLJ Phoenix, SEGM Holding and QMIG, respectively.

For further details of the corporate development of our Company, please refer to “— Reorganisation — 2. Incorporation of our Company” in this section.

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2. Our Operating Subsidiaries

Jiaoyun Gas

Jiaoyun Gas is one of our major operating subsidiaries which made significant contribution to our results of operations during the Track Record Period. Jiaoyun Gas was established in the PRC with limited liability on 14 July 2003 and commenced its operation of pipeline natural gas on 18 November 2005. The following table sets out the corporate development of Jiaoyun Gas since its establishment and prior to the Reorganisation:

<u>Date</u>	<u>Change</u>	<u>Registered capital immediately after the change</u>	<u>Shareholding percentage immediately after the change</u>
Upon establishment on 14 July 2003 ⁽¹⁾	—	RMB5,000,000	i. Gaomi Traffic (80%); and ii. Jiaoyun Car Transport (20%)
25 October 2005	Transfer of 80% equity interest by Gaomi Traffic to Mr. Luan Xiaolong ⁽²⁾	RMB5,000,000	i. Mr. Luan Xiaolong (80%); and ii. Jiaoyun Car Transport (20%)
28 September 2006	i. Transfer of 80% equity interest by Mr. Luan Xiaolong to Mr. Luan Ming (樂明先生) (“ Mr. Luan Ming ”) ⁽³⁾ ; and ii. Transfer of 20% equity interest by Jiaoyun Car Transport to Ms. Zhang Guozhen (張國珍女士) (“ Ms. Zhang Guozhen ”) ⁽⁴⁾	RMB5,000,000	i. Mr. Luan Ming (80%); and ii. Ms. Zhang Guozhen (20%)
26 September 2008	Transfer of 80% equity interest by Mr. Luan Ming to Jiaoyun Property ⁽⁵⁾	RMB5,000,000	i. Jiaoyun Property (80%); and ii. Ms. Zhang Guozhen (20%)
22 August 2009	Transfer of 20% equity interest by Ms. Zhang Guozhen to Mr. Luan Linjiang ⁽⁶⁾	RMB5,000,000	i. Jiaoyun Property (80%); and ii. Mr. Luan Linjiang (20%)

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Date	Change	Registered capital immediately after the change	Shareholding percentage immediately after the change
26 November 2009	Increase in registered capital by RMB15,000,000, of which (a) RMB12,000,000 was contributed by Jiaoyun Property, and (b) RMB3,000,000 was contributed by Mr. Luan Linjiang ⁽⁷⁾	RMB20,000,000	i. Jiaoyun Property (80%); and ii. Mr. Luan Linjiang (20%)
26 February 2015	Increase in registered capital by RMB40,000,000, which was contributed solely by Jiaoyun Group ⁽⁸⁾	RMB60,000,000	i. Jiaoyun Group (66.67%); ii. Jiaoyun Property (26.67%); and iii. Mr. Luan Linjiang (6.66%)

Notes:

- (1) At the time of establishment of Jiaoyun Gas, Jiaoyun Gas had two registered shareholders, namely: (a) Gaomi Traffic, which was dissolved pending deregistration (已解散但未注銷) pursuant to a state-owned enterprise reform plan approved by the Enterprise Reform Office of Gaomi City (高密市深化企業改革領導小組辦公室) on 1 November 2000 (the “**Reform Plan**”); and (b) Jiaoyun Car Transport, a limited liability company established as part of the Reform Plan by 27 individuals who were employees of Gaomi Traffic prior to its dissolution. Those 27 individuals include Mr. Luan Linjiang, our Chairman and executive Director, who was then the single largest shareholder of Jiaoyun Car Transport by holding approximately 29.5% equity interest. Mr. Luan Linjiang was the legal representative of both Gaomi Traffic and Jiaoyun Car Transport at the time. At the time of its establishment, Gaomi Traffic was beneficially owned as to 100% by the Gaomi City Commission of Transport (高密市交通委員會). As Jiaoyun Car Transport is the new enterprise restructured from Gaomi Traffic and the assets and liabilities of Gaomi Traffic had been borne by Jiaoyun Car Transport under the Reform Plan, the beneficial owners of Gaomi Traffic after its reform and at the time of establishment of Jiaoyun Gas were the aforementioned 27 individuals. The initial registered capital of RMB5,000,000 for the establishment of Jiaoyun Gas was contributed solely by Jiaoyun Car Transport. The initial registered capital of RMB4,000,000 for Gaomi Traffic’s 80% equity interest in Jiaoyun Gas was also paid by Jiaoyun Car Transport, and Gaomi Traffic was holding such interest on trust and for the benefit of Jiaoyun Car Transport. Despite its dissolved status, Gaomi Traffic came in as one of the two initial registered shareholders of Jiaoyun Gas as the legal requirement at the time required at least two shareholders for the establishment of a limited liability company in the PRC. Through this entrustment arrangement, Jiaoyun Gas was upon incorporation controlled and beneficially owned by Jiaoyun Car Transport.
- (2) As Gaomi Traffic was undergoing deregistration and its business licence was due to expire in 2006, Gaomi Traffic, pursuant to instructions from Jiaoyun Car Transport, transferred the 80% equity interest in Jiaoyun Gas to Mr. Luan Xiaolong at nil consideration. Mr. Luan Xiaolong held the 80% equity interest in Jiaoyun Gas on trust and for the benefit of Jiaoyun Car Transport. Mr. Luan Xiaolong is the son of Mr. Luan Linjiang. At the time, Mr. Luan Linjiang was the single largest shareholder of Jiaoyun Car Transport holding approximately 29.5% equity interest, and he was also the chairman of the board of directors, legal representative and general manager of Jiaoyun Gas. The business license of Gaomi Traffic was subsequently revoked on 23 March 2007.

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- (3) As Mr. Luan Xiaolong left Gaomi City to pursue his studies, for ease of administration, Mr. Luan Xiaolong, pursuant to instructions from Jiaoyun Car Transport, transferred the 80% equity interest in Jiaoyun Gas to Mr. Luan Ming at nil consideration. Mr. Luan Ming held the 80% equity interest in Jiaoyun Gas on trust and for the benefit of Jiaoyun Car Transport. Mr. Luan Ming is now deceased. Mr. Luan Ming was the brother of Mr. Luan Linjiang and an executive director and manager of Jiaoyun Gas at the time. Mr. Luan Linjiang was the single largest shareholder of Jiaoyun Car Transport holding approximately 29.5% equity interest thereof.
- (4) Subsequently, Jiaoyun Car Transport, with a view to facilitating the business operations of Jiaoyun Gas and better delineating its own principal business (being the operation of road transportation) from that of Jiaoyun Gas (being the operation of natural gas supply), entered into an entrustment agreement dated 28 September 2006 with Ms. Zhang Guozhen, pursuant to which Jiaoyun Car Transport transferred its 20% equity interest in Jiaoyun Gas to Ms. Zhang Guozhen (to be held on trust and for the benefit of Jiaoyun Car Transport) at nil consideration. Ms. Zhang Guozhen, an Independent Third Party, was an executive supervisor and a senior manager of Jiaoyun Gas at the time.
- (5) Due to his deteriorating health, Mr. Luan Ming (*now deceased*), pursuant to instructions from Jiaoyun Car Transport, transferred the 80% equity interest he held in Jiaoyun Gas to Jiaoyun Property at nil consideration, for ease of administration. Jiaoyun Property held the 80% equity interest in Jiaoyun Gas on trust and for the benefit of Jiaoyun Car Transport. At the time, Mr. Luan Linjiang held 70% equity interest in Jiaoyun Property, and approximately 55.68% equity interest in Jiaoyun Car Transport. Jiaoyun Property became the trustee of the 80% equity interest in Jiaoyun Gas for ease of administration.
- (6) With a view to simplifying the entrustment arrangement mentioned in note 4 above, Ms. Zhang Guozhen, pursuant to instructions from Jiaoyun Car Transport, transferred the 20% equity interest in Jiaoyun Gas to Mr. Luan Linjiang at nil consideration. Mr. Luan Linjiang held the 20% equity interest in Jiaoyun Gas on trust and for the benefit of Jiaoyun Car Transport. At the time, Mr. Luan Linjiang held approximately 55.68% equity interest in Jiaoyun Car Transport, and he was the legal representative, executive director and manager of Jiaoyun Gas.
- (7) Of the RMB12,000,000 contributed by Jiaoyun Property, RMB650,000 was paid up on 18 November 2009, RMB9,350,000 was paid up on 19 November 2009, and RMB2,000,000 was paid up on 20 November 2009. The RMB3,000,000 contributed by Luan Linjiang was fully paid up on 24 November 2009. The capital injection of RMB12,000,000 by Jiaoyun Property and RMB3,000,000 by Mr. Luan Linjiang was made by each of them in its/his own capacity. At the time, each of Jiaoyun Property and Mr. Luan Linjiang, as trustee, was holding the equity interest in Jiaoyun Gas equivalent to RMB4,000,000 and RMB1,000,000 of its registered capital, respectively, on trust and for the benefit of Jiaoyun Car Transport. As a result of the capital injection, Jiaoyun Gas became beneficially owned as to 60% by Jiaoyun Property, 25% by Jiaoyun Car Transport, and 15% by Mr. Luan Linjiang. At the time, Mr. Luan Linjiang held 70% equity interest in Jiaoyun Property and approximately 55.68% equity interest in Jiaoyun Car Transport. Subsequently in 2013, the entrustment of a total of 25% equity interest in Jiaoyun Gas by Jiaoyun Property and Mr. Luan Linjiang for Jiaoyun Car Transport became redundant and as a result was terminated, when Mr. Luan Linjiang became the holder of approximately 99.8% equity interest in Jiaoyun Car Transport through a series of buy out of equity interests of the other 22 individual shareholders of Jiaoyun Car Transport in November and December 2013. According to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), Company Law of the People’s Republic of China (《中華人民共和國公司法》) and other relevant PRC laws, on the basis that the parties involved in the entrustment arrangements confirmed the authenticity and accuracy of such arrangements, our PRC Legal Advisers are of the view that the historical entrustment related to Jiaoyun Gas do not violate any mandatory provisions of the currently existing laws and regulations of the PRC.
- (8) RMB40,000,000 was fully paid up on 1 April 2015. At the time, Mr. Luan Linjiang held approximately 99.01% equity interest in Jiaoyun Group and 100% equity interest in Jiaoyun Property.

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Jiaoyun Shihua

Jiaoyun Shihua, one of our operating subsidiaries, was established in the PRC with limited liability on 7 April 2013 with an initial registered capital of RMB30,000,000 which was fully paid up in cash. Upon its establishment, Jiaoyun Shihua was owned by Shandong Shihua and Jiaoyun Gas as to 51% and 49%, respectively. On 25 January 2014, Jiaoyun Shihua obtained a gas operation licence for the operation of sale of CNG and since then, it has commenced and is continuing its operations in the sale of CNG.

It was subsequently decided that Jiaoyun Gas would take over the management and day-to-day operation of Jiaoyun Shihua. On 25 May 2015, Jiaoyun Gas and Shandong Shihua entered into an equity interest transfer agreement, pursuant to which Shandong Shihua transferred 21% equity interest in Jiaoyun Shihua to Jiaoyun Gas at a consideration of approximately RMB8.08 million, which was determined on the basis of the shareholder’s equity of Jiaoyun Shihua of approximately RMB38.49 million as at 31 March 2015 as appraised by an independent valuer. The consideration was settled on 11 June 2015. Upon completion of such transfer, Jiaoyun Gas and Shandong Shihua owned 70% and 30% of the equity interest of Jiaoyun Shihua, respectively.

On 18 March 2016, the registered capital of Jiaoyun Shihua was increased in proportion by RMB5,000,000, of which RMB3,500,000 was subscribed by Jiaoyun Gas and RMB1,500,000 was subscribed by Shandong Shihua pursuant to the shareholders’ resolutions of Jiaoyun Shihua passed on 18 December 2015. Upon completion of such increase in registered capital, Jiaoyun Shihua remains to be held by Jiaoyun Gas and Shandong Shihua as to 70% and 30%, respectively.

3. Our Other Intermediary Subsidiaries

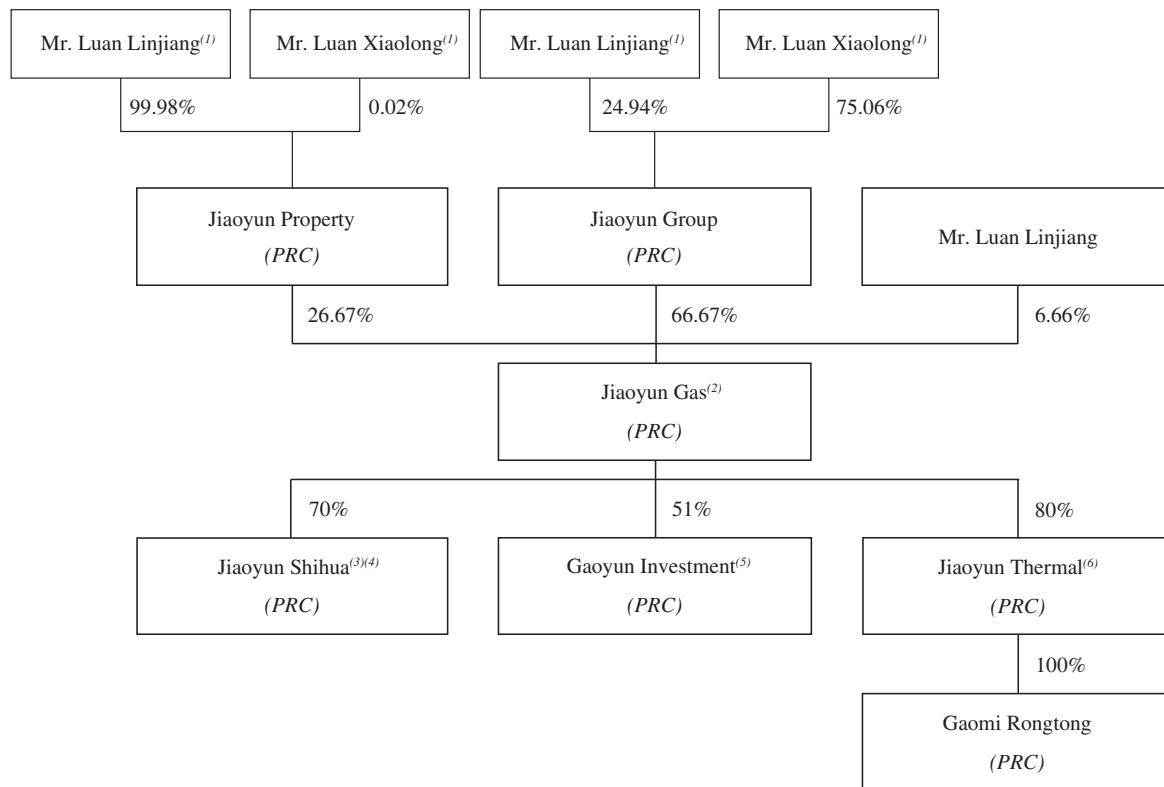
Set out below are the details of other intermediary subsidiaries of our Group:

Name	Principal/proposed business activities	Date of incorporation	Registered capital/ Issued share capital	Direct shareholder
JY Gas BVI	Investment holding	23 March 2021	US\$1.00	100%: our Company
JY Gas HK	Investment holding	22 April 2021	HK\$1.00	100%: JY Gas BVI
JY Gas WFOE	Investment holding	28 May 2021	RMB30,000,000	100%: JY Gas HK
QMRIG	Investment holding	30 March 2021	US\$100.00	100%: our Company
QMHC	Investment holding	6 May 2021	HK\$100.00	100%: QMRIG

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REORGANISATION

Set out below is the shareholding and corporate structure of our Group immediately prior to the Reorganisation.



Notes:

- (1) Mr. Luan Linjiang is the father of Mr. Luan Xiaolong.
- (2) Jiaoyun Gas had three branch offices in the PRC, namely Gaomi Jiaoyun Natural Gas Co., Ltd. Gas Appliance Branch* (高密市交運天然氣有限公司燃汽具分公司), Gaomi Jiaoyun Natural Gas Co., Ltd. The First Gas station* (高密市交運天然氣有限公司第一加氣站) and Gaomi Jiaoyun Natural Gas Co., Ltd. The Second Gas Station* (高密市交運天然氣有限公司第二加氣站).
- (3) The remaining 30% equity interest in Jiaoyun Shihua was held by Shandong Shihua, which was owned as to 50% by Sinopec and 50% by Shandong Luxin Industrial Group Co., Ltd.* (山東魯信實業有限公司) (“**Shandong Luxin**”) respectively, both of which are independent from our Group except for their equity interest in Jiaoyun Shihua and supply of natural gas to our Group through Shandong Shihua as disclosed in this document.
- (4) Jiaoyun Shihua had two branch offices, namely Gaomi Jiaoyun Shihua Natural Gas Co., Ltd. The Second Station* (高密市交運實華天然氣有限公司第二加氣站) and Gaomi Jiaoyun Shihua Natural Gas Co., Ltd. Longtan Road Gas Station* (高密市交運實華天然氣有限公司龍潭路加氣站).
- (5) The remaining 49% equity interest in Gaoyun Investment was held by Gaomi Yankai Fangzhi Co., Ltd.* (高密市彥凱紡織有限公司) (“**Gaomi Yankai**”), an Independent Third Party.
- (6) The remaining 20% equity interest in Jiaoyun Thermal was owned as to 10% and 10% by Mr. Luan Linxin and Jiaoyun Property, respectively. Pursuant to an entrustment agreement dated 16 May 2013 between Mr. Luan Linxin and Mr. Luan Linjiang, Mr. Luan Linxin held the 10% equity interest in Jiaoyun Thermal on trust and for the benefit of Mr. Luan Linjiang. Mr. Luan Linxin, Jiaoyun Property and Mr. Luan Linjiang are all connected persons of our Company.

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In preparation for the [REDACTED], our Group implemented the Reorganisation, which consisted of the following steps:

1. Disposal of certain subsidiaries engaged in non-core businesses

Non-core businesses require expertise, management and other resources which are different from our core business, namely, natural gas supply. To focus our resources primarily on natural gas supply business, we disposed of the following companies which are engaged in certain non-core businesses:

Jiaoyun Thermal

Jiaoyun Thermal principally engages in the business of supplying centralised heating in Gaomi City. Immediately prior to the Reorganisation and the disposal of Jiaoyun Thermal, Jiaoyun Thermal was owned as to 80% by us (through Jiaoyun Gas), while the remaining 20% was held as to 10% and 10% by Jiaoyun Property and Mr. Luan Linxin, respectively. Jiaoyun Thermal in turn directly wholly-owned Gaomi Rongtong, which principally engages in the business of provision of loan financing related services in Gaomi City. Based on the statutory tax filing of Jiaoyun Thermal, its profits/(loss) for the year ended 31 December 2019 and the six months ended 30 June 2020 amounted to approximately RMB4,860,000 and RMB(370,000), respectively.

Pursuant to an equity transfer agreement entered into between Jiaoyun Gas and Jiaoyun Group dated 11 September 2020, Jiaoyun Gas disposed of its 80% equity interest (equivalent to the then paid up registered capital of RMB40 million) in Jiaoyun Thermal to Jiaoyun Group (a company owned as to 75.06% by Mr. Luan Xiaolong and 24.95% by Mr. Luan Linjiang, therefore Jiaoyun Group is our connected person) for a consideration of RMB40.3 million, which was determined with reference to the net asset value of Jiaoyun Thermal as at 31 July 2020. Such consideration was fully settled on 18 September 2020. Upon completion of such transfer, Jiaoyun Thermal became owned as to 80%, 10% and 10% by Jiaoyun Group, Mr. Luan Linxin and Jiaoyun Property, respectively.

Gaoyun Investment

Gaoyun Investment principally engages in the business of conducting equity and debt investments and providing financial consulting and related services in Weifang Municipality, Shandong Province. Immediately prior to the Reorganisation and the disposal of Gaoyun Investment, Gaoyun Investment was owned as to 51% by Jiaoyun Gas and 49% by Gaomi Yankai (an Independent Third Party). Based on the statutory tax filing of Gaoyun Investment, its loss for the year ended 31 December 2019 and the nine months ended 30 September 2020 amounted to approximately RMB320,000 and RMB3,000, respectively.

Pursuant to an equity transfer agreement entered into between Jiaoyun Gas and Jiaoyun Property dated 20 October 2020, Jiaoyun Gas disposed of its 51% equity interest (equivalent to the paid up registered capital of RMB25.5 million) in Gaoyun Investment to Jiaoyun Property (a company owned as to 99.98% by Mr. Luan Linjiang and 0.02% by Mr. Luan Xiaolong, therefore Jiaoyun Property is our connected person) for a consideration of RMB25.5 million, which was determined with reference to the then paid up registered capital of Gaoyun Investment contributed by Jiaoyun Gas. Such consideration was fully settled on 4 March 2021. Upon completion of such transfer, Gaoyun Investment became owned as to 51% and 49% by Jiaoyun Property and Gaomi Yankai, respectively.

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Our Directors considered the disposals of Jiaoyun Thermal and Gaoyun Investment to be in the best interests of our Group as (i) the businesses of Jiaoyun Thermal (including its wholly-owned subsidiary Gaomi Rongtong) and Gaoyun Investment were unrelated to the core business of natural gas supply of our Group and do not add value to or create synergies with the long term development of our Group; and (ii) maintaining the operations of Jiaoyun Thermal (including its wholly-owned subsidiary Gaomi Rongtong) and Gaoyun Investment required substantial resources, which could instead be utilised to develop our core business segments with better prospects. Based on the written confirmation issued by relevant authorities, and to the best knowledge of our Directors, our Company was not aware of any non-compliance with PRC laws and regulations applicable to the disposed companies during the Track Record Period and up to their respective dates of disposal from our Group which would have a material adverse effect on our Group’s business operation and financial condition.

Our PRC Legal Advisers have confirmed that the relevant procedures and steps involved in the disposals of Jiaoyun Thermal and Gaoyun Investment have been legally completed, and such disposals have been duly registered and filed with local government authorities of the PRC. Upon completion of the above disposals, our Group ceased to have any interest in Jiaoyun Thermal (including its wholly-owned subsidiary Gaomi Rongtong) and Gaoyun Investment. For further details on accounting implications in connection with the disposals of Jiaoyun Thermal and Gaoyun Investment, please refer to Note 24(d) to the Accountant’s Report set out in Appendix I to this document.

2. Incorporation of our Company

On 9 March 2021, our Company was incorporated in the Cayman Islands with an initial authorised share capital of US\$50,000 divided into 500,000,000 Shares of par value of US\$0.0001 each. At the time of incorporation, one Share was allotted and issued for cash at par to ICS Corporate Services (Cayman) Limited (an Independent Third Party) as the initial subscriber, and was subsequently transferred to LLJ Phoenix at par value. On the same date, 99 Shares, 100 Shares and 100 Shares, respectively, were allotted and issued for cash at par to LLJ Phoenix, LXL Phoenix and SEGM Holding. Our Company was then owned as to 33.33%, 33.33% and 33.33% by LLJ Phoenix (wholly-owned by Mr. Luan Linjiang), LXL Phoenix (wholly-owned by Mr. Luan Xiaolong) and SEGM Holding (wholly-owned by SDJY Holding, which is in turn wholly-owned by Mr. Luan Xiaolong), respectively.

3. Incorporation of JY Gas BVI (our BVI intermediate holding company) and JY Gas HK (our Hong Kong intermediate holding company)

On 23 March 2021, JY Gas BVI was incorporated in the BVI with an authorised share capital of 50,000 shares with a par value of US\$1 each. On the same day, one share was allotted and issued to our Company for a consideration of US\$1, and JY Gas BVI became a directly wholly-owned subsidiary of our Company.

On 22 April 2021, JY Gas HK was incorporated in Hong Kong with a total amount of issued share capital HK\$1. On the same day, one share was allotted and issued to JY Gas BVI for a consideration of HK\$1, and JY Gas HK became an indirect wholly-owned subsidiary of our Company.

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4. Deregistration of entity with no operations

With a view to streamlining our Group’s structure, Gaomi Jiaoyun Natural Gas Co., Ltd. The Second Gas Station* (高密市交運天然氣有限公司第二加氣站) (the “**Jiaoyun Second Gas Station**”) was deregistered on 11 May 2021, as it has not commenced any business operations since its establishment, and there was no plan to commence any business operation. Before its deregistration, Jiaoyun Second Gas Station was a branch office of Jiaoyun Gas within Gaomi City, Shandong Province.

5. Incorporation of JY Gas WFOE (our PRC intermediate holding company)

JY Gas WFOE was established in the PRC on 28 May 2021 with an initial registered capital of RMB30 million. Upon establishment, JY Gas WFOE was wholly-owned by JY Gas HK.

6. Capital injection into Jiaoyun Gas by QMHC

As part of the [REDACTED] Investment, the [REDACTED] Investor (through his wholly owned investment holding company at the time, QMHC) made a capital injection of RMB610,000 to the registered capital of Jiaoyun Gas. Please refer to “— [REDACTED] Investment” in this section for details.

Upon completion of such capital injection, Jiaoyun Gas was converted from a domestic enterprise to a sino-foreign joint venture enterprise, and became owned as to approximately 65.99% by Jiaoyun Group, 26.40% by Jiaoyun Property, 6.60% by Mr. Luan Linjiang and 1.01% by QMHC, respectively.

7. Acquisition of Jiaoyun Gas by JY Gas WFOE

On 23 June 2021, each of Jiaoyun Group, Jiaoyun Property and Mr. Luan Linjiang entered into an equity transfer agreement with JY Gas WFOE pursuant to which they transferred their respective equity interests of approximately 65.99%, 26.40% and 6.60% in Jiaoyun Gas to JY Gas WFOE at a total consideration of RMB60,657,000, which was determined with reference to the net assets value of Jiaoyun Gas of approximately RMB60,657,000 as of 31 March 2021 as appraised by an independent valuer. The consideration was fully settled on 29 June 2021. Upon completion of such transfer, Jiaoyun Gas was owned as to approximately 98.99% by JY Gas WFOE and 1.01% by QMHC, respectively.

8. Allotment of Shares in our Company to LLJ Phoenix and LXL Phoenix

On 24 June 2021, our Company issued and allotted 230 and 460 fully-paid Shares to LLJ Phoenix and LXL Phoenix, respectively. Upon the allotment, our Company became owned as to approximately 56.57% by LXL Phoenix, 33.33% by LLJ Phoenix and 10.10% by SEGM Holding, respectively.

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9. Acquisition of QMRIG by our Company

As part of the [REDACTED] Investment, on 20 July 2021, QMIG transferred 100 shares of QMRIG, representing the entire issued share capital of QMRIG, to our Company in consideration of the issue and allotment of 10 Shares to QMIG. Upon completion of such share swap, QMRIG became our direct wholly-owned subsidiary and our Company became owned as to 56% by LXL Phoenix, 33% by LLJ Phoenix, 10% by SEGM Holding and 1% by QMIG, respectively. Please refer to “— [REDACTED] Investment” in this section for details.

Please refer to “— Corporate Structure Immediately After the Completion of the Reorganisation and the [REDACTED] Investment” in this section below for our corporate structure upon the completion of the Reorganisation and the [REDACTED] Investment.

[REDACTED] INVESTMENT

Investment by the [REDACTED] Investor

Immediately before the acquisition of QMRIG by our Company as part of the [REDACTED] Investment, QMHC was a direct wholly-owned subsidiary of QMRIG, which was in turn wholly-owned by QMIG. QMIG was directly wholly-owned by Mr. Tsang.

On 7 June 2021, QMHC entered into an investment agreement with Jiaoyun Gas, Jiaoyun Group, Jiaoyun Property, and Mr. Luan Linjiang, pursuant to which it was agreed that QMHC shall make a capital injection of RMB610,000 to the registered capital of Jiaoyun Gas. The consideration was determined after arm’s length negotiations between the parties with reference to the net assets value of Jiaoyun Gas of approximately RMB60,657,000 as of 31 March 2021 as appraised by an independent valuer. Such valuation was based on the net assets value of Jiaoyun Gas post declaration and distribution of dividends of RMB70 million to its shareholders in March 2021. Other factors were taken into account in the determination of the consideration including but not limited to: (i) the risk assumed by the [REDACTED] Investor for investment in a private company including the uncertainty of the completion of the [REDACTED] and [REDACTED]; and (ii) the strategic benefits which would be brought by Mr. Tsang to our Group set out below. The aforesaid capital injection was registered by the relevant PRC Government authority on 15 June 2021, and the consideration was settled on 15 July 2021. Upon completion of such capital injection and the acquisition of Jiaoyun Gas by Jiaoyun WFOE as mentioned in “— Reorganisation — 7. Acquisition of Jiaoyun Gas by JY Gas WFOE” in this section, Jiaoyun Gas became a sino-foreign joint venture enterprise and became owned as to approximately 98.99% by JY Gas WFOE and 1.01% by QMHC respectively, with a registered and paid-up capital of RMB60,610,000.

On 20 July 2021, a share swap was conducted whereby QMIG transferred a total of 100 shares of QMRIG, representing the entire issued share capital of QMRIG, to our Company in consideration of the issue and allotment of 10 Shares to QMIG.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Details of the [REDACTED] Investment are set out below:

Name of the [REDACTED] Investor:	Mr. Tsang Kwong Kwan Mor (曾光群先生)
Date of agreement:	7 June 2021
Amount of consideration paid:	RMB610,000 (equivalent to approximately HK\$701,851) (through its investment in Jiaoyun Gas)
Basis of determination of the consideration:	After arm’s length negotiations between the parties with reference to the net assets value of Jiaoyun Gas of approximately RMB60,657,000 as of 31 March 2021 as appraised by an independent valuer
Consideration payment date:	15 July 2021
Cost per Share ⁽¹⁾ :	Approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED])
Discount to mid-point of the [REDACTED] range ⁽¹⁾ :	Approximately [REDACTED]%
Use of proceeds:	Contribution of RMB610,000 to the registered capital of Jiaoyun Gas, all of which shall be used as general working capital of our Group.
Shareholding in our Company immediately after the completion of the [REDACTED] Investment ⁽¹⁾ :	1%
Shareholding in our Company immediately after the completion of the [REDACTED] ^{(1), (2)} :	[REDACTED]%
Strategic benefits to our Group:	Our Directors are of the view that our Group can benefit from the [REDACTED] Investment as it demonstrates the [REDACTED] Investor’s confidence in our business and operations, and serves as an endorsement of our performance, strengths and prospects. It also assists us in broadening our shareholder base. Mr. Tsang has over 38 years of experience in the textile trading business. In Shandong Province, the textile industry mainly uses natural gas as the energy source, and our Company has a number of customers in the textile industry. Given Mr. Tsang’s experience and familiarity with usage of natural gas, our Directors believe that Mr. Tsang, through his strategic investment into our Company, could provide our Group with valuable insights and advice on our future development plans.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special rights:	Neither QMIG nor the [REDACTED] Investor is entitled to any special rights under the [REDACTED] Investment
Lock-up period:	Nil

Notes:

- (1) Calculated on the basis of the number of Shares to be held by QMIG immediately after the completion of the Capitalisation Issue but before the completion of the [REDACTED].
- (2) Without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED].

Information regarding the [REDACTED] Investor

Mr. Tsang is an individual investor. He held his interest in our Company through QMIG, his wholly-owned investment holding company incorporated in the BVI. Mr. Tsang has over 38 years of experience in textile trading business. He also makes investments in other industries in his personal capacity and the source of funding of his investments was mainly from his personal savings. Mr. Tsang first became acquainted with Mr. Luan Xiaolong in 2018 at a business event in Qingdao City, Shandong Province. To the best knowledge and belief of our Directors and having made all reasonable enquiries, Mr. Tsang decided to invest in our Group in view of the prospects of our business growth.

Other than the shareholding interest in our Company as disclosed in this document, Mr. Tsang and QMIG are independent from our Group.

Public Float

As the [REDACTED] Investor is not a core connected person of our Company and the [REDACTED] Investment was not financed directly or indirectly by any core connected persons of our Company, Shares held by QMIG will be counted towards the public float after the [REDACTED].

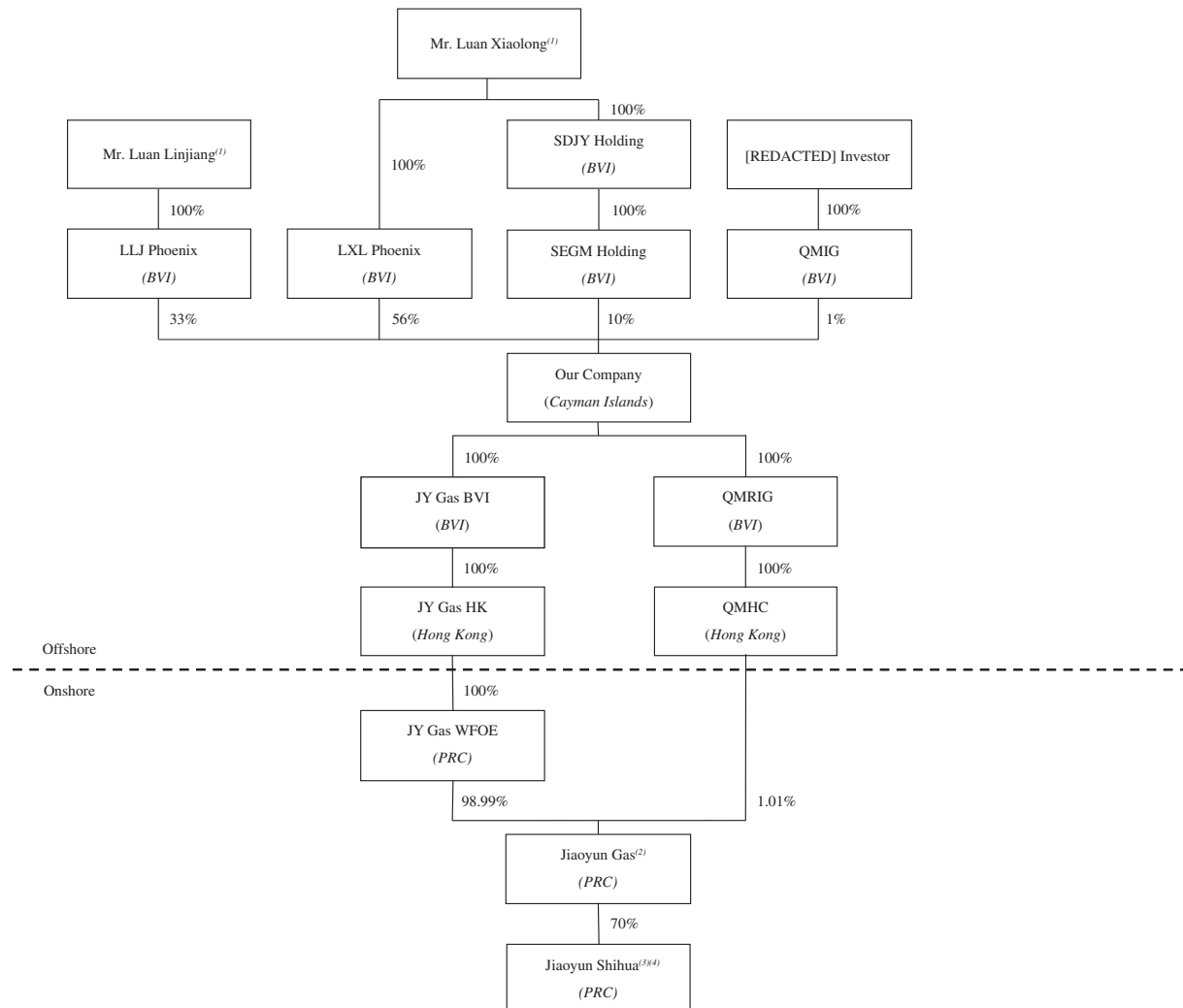
Compliance with Interim Guidance

The Sole Sponsor is of the view that the terms of the [REDACTED] Investment by the [REDACTED] Investor are in compliance with (i) the Guidance Letter HKEx-GL-29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017; and (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017, as (a) the consideration payable by the [REDACTED] Investor under the [REDACTED] Investment was fully settled on 15 July 2021, which is more than 28 clear days prior to the date of the first submission of the [REDACTED] to the Stock Exchange in relation to the [REDACTED]; and (b) no special rights were granted to the [REDACTED] Investor that will survive after the [REDACTED] in respect of the [REDACTED] Investment. The Guidance Letter HKEx-GL44-12 is not applicable to the [REDACTED] Investment as no convertible instrument was issued.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE REORGANISATION AND THE [REDACTED] INVESTMENT

The following diagram illustrates the corporate structure of our Group immediately after completion of the Reorganisation and the [REDACTED] Investment but before completion of the Capitalisation Issue and the [REDACTED]:



Note:

- (1) Mr. Luan Linjiang is the father of Mr. Luan Xiaolong.
- (2) Jiaoyun Gas has two branch offices in the PRC, namely Gaomi Jiaoyun Natural Gas Co., Ltd. Gas Appliance Branch* (高密市交運天然氣有限公司燃汽具分公司) and Gaomi Jiaoyun Natural Gas Co., Ltd. The First Gas Station* (高密市交運天然氣有限公司第一加氣站).
- (3) The remaining 30% equity interest in Jiaoyun Shihua is held by Shandong Shihua, which is owned as to 50% by Sinopec and 50% by Shandong Luxin, respectively, both of which are independent from our Group except for their equity interest in Jiaoyun Shihua and supply of natural gas to our Group through Shandong Shihua as disclosed in this document.
- (4) Jiaoyun Shihua has two branch offices, namely Gaomi Jiaoyun Shihua Natural Gas Co., Ltd. The Second Station* (高密市交運實華天然氣有限公司第二加氣站) and Gaomi Jiaoyun Shihua Natural Gas Co., Ltd. Longtan Road Gas Station* (高密市交運實華天然氣有限公司龍潭路加氣站).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

INCREASE IN AUTHORISED SHARE CAPITAL

On [●], our authorised share capital was increased from US\$50,000 to US\$[200,000] by the creation of additional [1,500,000,000] Shares, such that following such increase, the authorised share capital of our Company was US\$[200,000] divided into [2,000,000,000] Shares of US\$0.0001 each.

CAPITALISATION ISSUE

Following the aforesaid increase of the authorised share capital of our Company and conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue on the [REDACTED], credited as fully-paid, at par to the then existing Shareholder(s) in proportion (as near as possible without involving fractions, so that no fraction of a share shall be allotted and issued) to their then shareholdings in our Company. The Shares to be allotted and issued pursuant to the Capitalisation Issue shall carry the same rights in all respects with the then existing issued Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

COMPLIANCE WITH PRC LAWS

Our PRC Legal Advisers have confirmed that the Reorganisation involving the disposals, equity transfers and capital contributions in respect of our PRC subsidiaries as described in this section had been legally completed, and the relevant procedures had been carried out in accordance with the applicable PRC laws and regulations in all material aspects.

The Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors in the PRC

According to the “Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on 8 August 2006 and effective as of 8 September 2008 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC Legal Advisers, unless new laws and regulations are enacted or MOFCOM and CSRC and other competent authorities publish new provisions or interpretations on the M&A Rules in the future, given that when the acquisition of Jiaoyun Gas by JY Gas WFOE (the “**Acquisition**”) took place, Jiaoyun Gas was an existing sino-foreign joint venture enterprise, the Acquisition was not subject to the M&A Rules and approval from MOFCOM was not required, and the [REDACTED] does not require approval from CSRC.

SAFE Registration in the PRC

Pursuant to SAFE Circular 37, a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Director Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), promulgated by SAFE and which became effective on 1 June 2015, the foreign exchange registration under overseas direct investment shall be directly reviewed and handled by banks whilst indirectly supervised by the SAFE and its branches through banks.

As advised by our PRC Legal Advisers, Mr. Luan Linjiang and Mr. Luan Xiaolong, have completed their registration under the SAFE Circular 37 and Circular 13 on 11 May 2021.