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Blue Sky Power Holdings Limited
藍天威力控股有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 6828)

(Singapore Stock Code: UQ7)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION DISCLOSEABLE TRANSACTION

THE MOU

The Board is pleased to announce that on 6 December 2016 (after trading hours), the Purchaser and the Vendors entered into a non-legally binding MOU in relation to the Possible Acquisition of the entire issued share capital of OctoNet and the entire equity interest in Jiemei Shihua by the Purchaser from the respective Vendors, subject to the entering into of the Formal Agreement. The consideration of the Possible Acquisition will be determined by arm's length negotiation between the Vendors and the Purchaser, after the completion of the due diligence process on the Target Group.

LISTING RULES IMPLICATION

As certain relevant percentage ratios under the Listing Rules in respect of the entering into of the MOU involving the Refundable Earnest Monies exceeds 5% but is less than 25%, the entering into of the MOU involving the Refundable Earnest Monies constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting and announcement requirements under the Listing Rules.

The Possible Acquisition, if it materialises, may constitute a notifiable transaction for the Company under the Listing Rules. Should the Company enter into the Formal Agreement or decide to terminate the MOU or if there are any material developments with respect to the Possible Acquisition, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

WARNING NOTICE

The Possible Acquisition is subject to, among others, entering into of the Formal Agreement. At present stage, no legally binding agreement in relation to the Possible Acquisition has been entered into, and the terms and conditions of the Formal Agreement are yet to be finalised and agreed between the Company and the Vendors. As such, the Possible Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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PRINCIPAL TERMS OF THE MOU

The principal terms of the MOU are as follows:

Date

6 December 2016

Parties

Vendors	:	Vendor A: Minliang Limited
		Vendor B: Liu Qingxia* (劉慶霞)
		Vendor C: Liu Shiguo* (劉世國)
Purchaser	:	Goldlink Capital Limited, a direct wholly-owned subsidiary of the Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and the ultimate beneficial owner of the Vendors are Independent Third Parties.

Subject Matter

Subject to the entering into of the Formal Agreement, the Purchaser proposed to acquire the entire issued share capital of OctoNet from Vendor A and the entire equity interest in Jiemei Shihua from Vendor B and Vendor C.

As of the date of this announcement, OctoNet is a wholly owned subsidiary of Vendor A, and Vendor A through OctoNet, indirectly holds 45% equity interest in Jilin Haoyuan; whereas Vendor B and Vendor C, hold 90% and 10% of the equity interest in Jiemei Shihua, respectively, and through Jiemei Shihua indirectly and jointly hold 55% equity interest in Jilin Haoyuan.

Refundable Earnest Monies

The consideration of the Possible Acquisition will be determined by arm's length negotiation between the Vendors and the Purchaser, after the completion of the due diligence process on the Target Group.

Pursuant to the MOU, the Purchaser shall pay in cash the Refundable Earnest Money A in the sum of RMB104,000,000 to the Vendor A or its nominee and Refundable Earnest Money B in the sum of RMB158,000,000 to the Vendor B and Vendor C or their respective nominee. The Refundable Earnest Monies have been settled as at the date of the MOU. The Refundable Earnest Monies shall be applied as part payment of the consideration for the Possible Acquisition upon signing of the Formal Agreement. Should the Refundable Earnest Monies exceed the relevant consideration of the Possible Acquisition to be agreed in the Formal Agreement, the Vendors shall refund the exceeded amount (the "Exceeded Amount") to the Purchaser within 5 Business Days.

Should the Purchaser decide not to proceed with the Possible Acquisition, the Vendors shall refund the Refundable Earnest Monies to the Purchaser within 5 Business Days. If the respective Vendors fail to return the Refundable Earnest Monies or the Exceeded Amount (if applicable) within the agreed time limit, the Vendors shall be liable to an overdue interest of 1% of the outstanding amount per day.

Pursuant to the MOU, the Vendor A undertakes to execute or procure the execution of the following documents (1) to (3) and the Vendor B and Vendor C undertake to execute or procure the execution of the following document (4) to (6) to secure the repayment (if applicable) of the Refundable Earnest Monies:

(1) the personal guarantee executed by the ultimate beneficial owner of the Vendor A;

(2) the negative pledge and undertaking letter in respect of OctoNet and Jilin Haoyuan executed by OctoNet;

(3) the share charge executed by Vendor A in favour of the Purchaser in respect of the entire equity interest of OctoNet;

(4) the negative pledge and undertaking letter in respect of Jiemei Shihua and Jilin Haoyuan executed by Vendor B;

(5) the negative pledge and undertaking letter in respect of Jiemei Shihua and Jilin Haoyuan executed by Vendor C; and

(6) the negative pledge and undertaking letter in respect of Jiemei Shihua and Jilin Haoyuan executed by Jiemei Shihua.

Due Diligence and Exclusivity Period

After the execution of the MOU, the Purchaser shall be entitled to conduct business, financial and legal due diligence on the Target Group. The Vendors shall provide to the Purchaser and/or procure the Purchaser's access to all records and documents of the Target Group forthwith upon request for due diligence purpose and to respond forthwith to the enquiries of the Purchaser.

The Vendors have agreed and undertaken that they shall not directly or indirectly engage in any discussion or negotiation with any third party in respect of any share, asset or interest of OctoNet, Jiemei Shihua and Jilin Haoyuan within 120 days from the date of signing of the MOU.

Save for certain provisions in the MOU, including provisions relating to, among others, the Refundable Earnest Monies and due diligence and exclusivity period, the MOU is not legally binding on the Purchaser and the Vendors in respect of the Possible Acquisition.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Company is principally engaged in (i) sales of natural gas and other related products and (ii) sales of books and specialised products.

The Purchaser is incorporated in the BVI with limited liability and its principal business is investment holding.

INFORMATION OF THE VENDORS

Vendor A

As advised by Vendor A, Vendor A, is a company incorporated in the BVI with limited liability and an investment holding company, which directly holds 100% issued share capital of OctoNet and indirectly holds 45% equity interest in Jilin Haoyuan.

Vendor B and Vendor C

As advised by Vendor B and Vendor C, both Vendor B and Vendor C are PRC citizens. Vendor B and Vendor C directly hold respectively 90% and 10% equity interest in Jiemei Shihua and together indirectly hold 55% equity interest in Jilin Haoyuan.

INFORMATION ABOUT THE TARGET GROUP

OctoNet Limited is a company incorporated in the BVI with limited liability, which, as advised by the Vendor A, is wholly owned by the Vendor A. The principal business of OctoNet is investment holding.

Shenzhen City Jiemei Shihua Investment Company Limited* (深圳市捷美石化投資有限公司) is a company established in the PRC with limited liability, which is directly held by Vendor B as to 90% and Vendor C as to 10%. The principal business of Jiemei Shihua is investment holding.

Jilin Haoyuan Gas Co., Ltd.* (吉林浩源燃氣有限公司) is a company established in the PRC with limited liability which is directly held by OctoNet as to 45% and Jiemei Shihua as to 55%.

As advised by the Vendors, Jilin Haoyuan entered into a franchise operation agreement (特許經營協議) with the Public Utility Bureau* (公用事業局) authorized by the local government of Songyuan City in Jilin Province, in which Jilin Haoyuan was granted the exclusive operation rights (特許經營權) for a terms of 30 years commencing from 1 January 2004 to 1 January 2034 for the supply of natural gas via gas pipelines within the Urban Planning Area (城市規劃區域) in Songyuan City.

As advised by the Vendors, currently, Jilin Haoyuan was principally engaged in the (i) supply of piped gas to residential households, commercial users and public buildings (e.g. school, restaurants, hospitals and commercial complex); and (ii) operation of two compressed natural gas ("CNG") refueling stations for vehicles. According to the best knowledge of the Vendors, up to the date of this announcement, Jilin Haoyuan completed the connection for approximately 150,000 residential households and approximately 500 commercial and public users. During the year ended 31 December 2015, the total gas sales volume of Jilin Haoyuan amounted to approximately 40 million cubic meter.

It is expected that there will be further new connection to residential households by Jilin Haoyuan, in view of (i) new real estate projects to be completed in Songyuan and (ii) the conversion to piped gas by existing residential areas. In addition, the Chinese government is pushing forward the "coal-to-gas" policy to battle with the serious smog situation in the North Eastern region, including Jilin Province. Therefore, it is expected that the business of Jilin Haoyuan will also be benefited from the policy, pursuant to which more commercial users and public buildings in the district are considering to switch to use gas-fired boilers in replacement of old coal-fired boilers for heating and air-conditioning purpose.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

According to the annual report of the Company for the year ended 31 December 2015, the Group's mission is to build a sustainable environment, and will seize any opportunities that arise and act in concert with the PRC's energy transformation. The Group will continue to strengthen its supply chain of natural gas while expanding its reach to a wider customer base across more provinces in China. As such, the Directors considered that the Possible Acquisition provides an excellent opportunity for the Group to extend its geographical coverage in relation to its natural gas business which encompasses (i) construction and operation of CNG and liquefied natural gas ("LNG") refueling stations for vehicles; (ii) construction of natural gas connection pipelines and supply of piped gas to industrial parks, commercial complexes and residential communities; and (iii) distribution and trading of CNG and LNG. The terms of the MOU were arrived at after arm's length negotiations between the Purchaser and the Vendors. The payment of the Refundable Earnest Monies was funded by the internal resources of the Group. The Directors considered the terms of the MOU are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

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GENERAL

The Possible Acquisition is subject to, among others, further negotiations entering into of the Formal Agreement. At present stage, no legally binding agreement in relation to the Possible Acquisition has been entered into, and the terms and conditions of the Formal Agreement are yet to be finalised and agreed between the Company and the Vendors. As such, the Possible Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

"Board"	the board of Directors of the Company
"Business Day"	a day (other than a Saturday or a Sunday at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in the PRC are open for general banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	Blue Sky Power Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6828) and secondary listed on the Singapore Exchange Securities Trading Limited (Stock Code: UQ7)
"Director(s)"	director(s) of the Company
"Formal Agreement"	the formal agreement to be entered into between the Purchaser and the Vendors in relation to the Possible Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
"Jiemei Shihua"	Shenzhen City Jiemei Shihua Investment Company Limited* (深圳市捷美石化投資有限公司), a company established in the PRC with limited liability, which is directly held by Vendor B as to 90% and Vendor C as to 10%
"Jilin Haoyuan"	Jilin Haoyuan Gas Co., Ltd.* (吉林浩源燃氣有限公司), a company established in the PRC with limited liability which is directly held by OctoNet as to 45% and Jiemei Shihua as to 55%

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the non-legally binding memorandum of understanding dated 6 December 2016 entered into between the Purchaser and Vendors in relation to Possible Acquisition
"OctoNet"	OctoNet Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Vendor A
"Possible Acquisition"	the possible acquisition of the entire equity interest of both OctoNet and Jiemei Shihua by the Purchaser from the respective Vendors
"PRC"	the People's Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser"	Goldlink Capital Limited 金連投資有限公司, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"Refundable Earnest Money A"	the refundable earnest money of RMB104,000,000 paid by the Purchaser in cash to the Vendor A or nominee of the Vendor A
"Refundable Earnest Money B"	the refundable earnest money of RMB158,000,000 paid by the Purchaser in cash to the Vendor B and Vendor C or their respective nominee
"Refundable Earnest Monies"	collectively the Refundable Earnest Money A and Refundable Earnest Money B
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the share(s) of HK$0.055 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	OctoNet, Jiemei Shihua and their subsidiaries
"Vendor A"	Minliang Limited 民亮有限公司, a company incorporated in the BVI with limited liability, which owns 100% issued share capital of OctoNet, which in turn indirectly owns as to 45% equity interest in Jilin Haoyuan
"Vendor B"	Liu Qingxia* (劉慶霞), a citizen of PRC, who owns 90% equity interest in Jiemei Shihua, which in turn, together with Vendor C, indirectly owns as to 55% equity interest in Jilin Haoyuan
"Vendor C"	Liu Shiguo* (劉世國), a citizen of PRC, who owns 10% equity interest in Jiemei Shihua, which in turn, together with Vendor B, indirectly owns as to 55% equity interest in Jilin Haoyuan
"Vendors"	collectively Vendor A, Vendor B and Vendor C

"%"	per cent.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

By order of the Board
Blue Sky Power Holdings Limited
Cheng Ming Kit
Co-Chairman

Hong Kong, 6 December 2016

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Ming Kit, Mr. Sze Chun Lee, Mr. Hung Tao, Mr. Hu Xiaoming and Mr. Tam Man Kin; the non-executive director of the Company is Mr. Zhi Xiaoye; and the independent non-executive directors of the Company are Mr. Lim Siang Kai, Mr. Wee Piew and Mr. Ma Arthur On-hing.

* *For identification purpose only*