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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 15 December 2016 (after trading hours), the Purchaser and the Vendor entered into a non-legally binding MOU in relation to the Possible Acquisition of 98% of the equity interest of Yuhai by the Purchaser from the Vendor, 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 Vendor and the Purchaser, after the completion of the due diligence process on the Target Group.

LISTING RULES IMPLICATION

As certain relevant percentage ratio under the Listing Rules in respect of the entering into of the MOU involving the Refundable Earnest Money exceeds 5% but is less than 25%, the entering into of the MOU involving the Refundable Earnest Money 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 the 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 Vendor. 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

15 December 2016

Parties

Vendor: Li Xiulin* (李秀林)

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 Vendor is an Independent Third Party.

Subject Matter

Subject to the entering into of the Formal Agreement, the Purchaser proposed to acquire 98% of the equity interest of Yuhai from the Vendor.

As of the date of this announcement, Yuhai is directly wholly-owned by the Vendor, and the Vendor through Yuhai, indirectly holds 51% of the equity interest in Saiguangbo, which in turn holds 100% equity interest in Shanxi Minsheng and Yongji Minsheng.

Refundable Earnest Money

The consideration of the Possible Acquisition will be determined by arm's length negotiation between the Vendor 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 in the sum of RMB250,000,000 to the Vendor or its nominee. The Refundable Earnest Money has been settled as at the date of the MOU. The Refundable Earnest Money shall be applied as part payment of the consideration for the Possible Acquisition upon signing of the Formal Agreement. Should the Refundable Earnest Money exceed the consideration of the Possible Acquisition to be agreed in the Formal Agreement, the Vendor shall refund the exceeded amount (the "Exceeded Amount") to the Purchaser within 5 Business Days following the completion. Should the Purchaser decide not to proceed with the Possible Acquisition, the Vendor shall refund the Refundable Earnest Money to the Purchaser within 5 Business Days. If the Vendor fails to return the Refundable Earnest Money or the Exceeded Amount (if applicable) within the agreed time limit, the Vendor shall also pay an overdue interest of 1% of the outstanding amount per day.

Pursuant to the MOU, the Vendor undertakes to execute or procure the execution of the following documents to secure the repayment (if applicable) of the Refundable Earnest Money:

(1) the negative pledges and undertaking letters in respect of Yuhai, Saiguangbo, Shanxi Minsheng and Yongji Minsheng executed by the Vendor;

(2) the negative pledges and undertaking letters in respect of Saiguangbo, Shanxi Minsheng and Yongji Minsheng executed by Yuhai; and

(3) the negative pledges and undertaking letters in respect of Shanxi Minsheng and Yongji Minsheng executed by Saiguangbo.

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 Vendor shall provide to the Purchaser and/or procure the Target Group to provide 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 Vendor has 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 Yuhai, Saiguangbo, Shanxi Minsheng and Yongji Minsheng 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 Money and due diligence and exclusivity period, the MOU is not legally binding on the Purchaser and the Vendor 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.

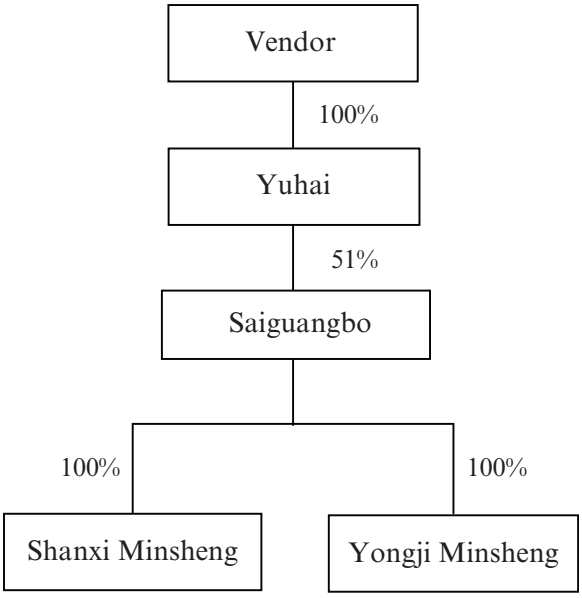
The Purchaser is a company incorporated in the BVI with limited liability and its principal business is investment holding.

INFORMATION OF THE VENDOR

As advised by the Vendor, the Vendor is a PRC citizen. The Vendor directly holds 100% of the equity interest in Yuhai, and the Vendor through Yuhai, indirectly holds 51% of the equity interest in Saiguangbo, which in turn holds 100% of the equity interest in Shanxi Minsheng and Yongji Minsheng.

INFORMATION OF THE TARGET GROUP

The shareholding structure of the Target Group as of the date of this announcement is shown as in the simplified chart below:



Yuhai

Shenzhen Yuhai Energy Company Limited* (深圳市裕海能源有限公司) is a company established in the PRC with limited liability, which is directly wholly-owned by the Vendor. As advised by the Vendor, the principal business of Yuhai is, among other things, the technology development, technology transfer and consultation of new energy.

Saiguangbo

Chongqing Saiguangbo Technology Company Limited* (重慶賽廣博科技有限公司) is a company established in the PRC with limited liability, which is held by Yuhai as to 51%. As advised by the Vendor, the principal business of Saiguangbo is, among other things, investment of town gas, and sale of gas equipment. To the best knowledge of the Company, the other shareholder of Saiguangbo is an Independent Third Party.

Shanxi Minsheng

Shanxi Minsheng Natural Gas Co., Ltd.* (山西民生天然氣有限公司) is a company established in the PRC with limited liability which is 100% directly held by Saiguangbo.

Business Area

As advised by the Vendor, Shanxi Minsheng, is principally engaged in the (i) supply of piped gas to residential households, commercial and industrial users; and (ii) operation of 5 compressed natural gas ("**CNG**") refuelling stations for vehicles in Yuncheng City, Shanxi Province.

As advised by the Vendor, up to the date of this announcement, Shanxi Minsheng completed the connection for approximately 120,000 residential households and approximately 780 commercial and industrial users. For the year ended 31 December 2015, the total gas sales volume of Shanxi Minsheng amounted to approximately 70 million cubic meters.

Exclusive operation rights in Yuncheng City, Shanxi Province

Shanxi Minsheng entered into a number of operation rights agreements with the local government of Yuncheng City in Shanxi Province, in which Shanxi Minsheng was granted the build-operate-transfer (建造、營運及轉移) and exclusive operation rights (特許經營權) for terms of 20 years to 25 years, commencing from March 2006, October 2009, September 2011 and July 2012, for the supply of natural gas via gas pipelines within the Urban Planning Area (城市規劃區域) in Yuncheng City and the new development areas (新發展區域), such as Yanhu (鹽湖新區), Konggang (空港新區) and Yuncheng Economic Development Zone (運城經濟開發區).

Future prospects

It is expected that there will be further new connection to residential households by Shanxi Minsheng, in view of (i) the new real estate projects to be completed and (ii) the conversion to piped gas by existing residential areas. It is expected to complete gas connections for approximately 70,000 new residential households in total in coming years.

Yongji Minsheng

Yongji Minsheng Natural Gas Co., Ltd.* (永濟市民生天然氣有限公司) is a company incorporated in the PRC with limited liability which is 100% directly held by Saiguangbo.

Business Area

As advised by the Vendor, Yongji Minsheng is principally engaged in the (i) supply of piped gas to residential households, commercial and industrial users; and (ii) operation of 2 CNG refuelling stations for vehicles in Yongji City, Shanxi Province.

As advised by the Vendor, as of the date of this announcement, Yongji Minsheng completed the connection for approximately 13,000 residential households and approximately 40 commercial and industrial users. During the year ended 31 December 2015, the total gas sales volume of Yongji Minsheng amounted to approximately 18 million cubic meters.

Exclusive franchise operation agreement in Yongji City, Shanxi Province

As advised by the Vendor, Yongji Minsheng has entered into a franchise operation agreement with the local government of Yongji City, pursuant to which Yongji Minsheng is granted an exclusive operation right for 30 years commencing from November 2008 to invest in and operate the city pipeline system to provide and distribute piped natural gas in Yongji City, Shanxi Province.

Future prospects

It is expected that there will be further new connection to residential households by Yongji Minsheng, in view of (i) the new real estate projects to be completed; and (ii) the conversion to piped gas by existing residential areas. It is expected to complete gas connections for approximately 30,000 new residential households in total in coming years.

Since the government in the PRC is promoting the "coal-to-gas" policy to reduce the air pollution in the PRC. Therefore, it is expected that the business of both Shanxi Minsheng and Yongji Minsheng will also be benefited from the policy.

REASONS AND BENEFITS OF THE POSSIBLE ACQUISITION

The Group is an integrated natural gas provider and distributor that offers innovative and diversified clean energy solution in the PRC. The Group focuses on the downstream natural gas distribution business which encompasses (i) construction and operation of compressed natural gas and liquefied natural gas refuelling stations for vehicles; and (ii) construction of natural gas connection pipelines and supply of piped gas to industrial parks, commercial complexes and residential communities.

The Possible Acquisition, if proceed, will enable the Group to expand its natural gas operations in the PRC and will benefit the Company and Shareholders as a whole, by (i) increasing the Group's revenue source; and (ii) enlarging the Group's geographical footprint in Shanxi Province of the PRC, where the Company have not yet made any presence previously.

The terms of the MOU were arrived at after arm's length negotiations between the Purchaser and the Vendor. The payment of the Refundable Earnest Money was funded by the internal resources of the Group. The Directors considered the terms of the MOU to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

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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 Vendor 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)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the non-legally binding memorandum of understanding dated 15 December 2016 entered into between the Purchaser and the Vendor in relation to Possible Acquisition
"Possible Acquisition"	the possible acquisition of 98% of the equity interest of Yuhai by the Purchaser from the Vendor
"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"	the refundable earnest money of RMB250,000,000 paid by the Purchaser in cash to the Vendor or its nominee
"RMB"	Renminbi, the lawful currency of the PRC

"Saiguangbo"	Chongqing Saiguangbo Technology Company Limited* (重慶賽廣博科技有限公司), a company established in the PRC with limited liability, which is directly held by Yuhai and an Independent Third Party as to 51% and 49%, respectively
"Shanxi Minsheng"	Shanxi Minsheng Natural Gas Co., Ltd.* (山西民生天然氣有限公司), a company established in the PRC with limited liability, which is wholly owned by Saiguangbo
"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"	Yuhai, Saiguangbo, Shanxi Minsheng and Yongji Minsheng
"Vendor"	Li Xiulin* (李秀林), a citizen of PRC, who owns 100% of the equity interest in Yuhai, which owns as to 51% of the equity interest in Saiguangbo. Saiguangbo owns 100% of the equity interest in Shanxi Minsheng and Yongji Minsheng
"Yongji Minsheng"	Yongji Minsheng Natural Gas Co., Ltd.* (永濟市民生天然氣有限公司), a company established in the PRC with limited liability, which is wholly owned by Saiguangbo
"Yuhai"	Shenzhen Yuhai Energy Company Limited* (深圳市裕海能源有限公司), a company established in the PRC with limited liability, which is wholly owned by the Vendor
"%"	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, 15 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*