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City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

ISSUE OF NEW SHARES UNDER THE SHARE AWARD SCHEME AND CONNECTED TRANSACTION ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER THE SHARE AWARD SCHEME

On 9 December 2016, the Board has resolved to award an aggregate of 37,862,500 Connected Award Shares to a Connected Beneficiary by way of issue and allotment of new Shares pursuant to the Specific Mandate.

LISTING RULES IMPLICATIONS

The Connected Beneficiary is a Director and accordingly a connected person (as defined in Chapter 14A of the Listing Rules) to the Company and the issue and allotment of 37,862,500 Connected Award Shares to the Connected Beneficiary under the Share Award Scheme shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The maximum number of Award Shares which may be granted under the Share Award Scheme is 38,244,952 Award Shares. As such, the Connected Beneficiary's interest in the Share Award Scheme is approximately 99%. Therefore, pursuant to Rule 14A.12(1)(b) of the Listing Rules, the Trustee is an associate of the Connected Beneficiary and the issue of the Connected Award Shares to the

Trustee shall also constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is also subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the Trustee, the Connected Beneficiary and their respective associates are required to abstain from voting on the resolution at the EGM to approve the Award.

The Company refers to its announcement dated 9 December 2016 (the “**Announcement**”) in relation to the adoption of the Share Award Scheme. Unless otherwise stated, capitalized terms used herein bear the same meanings as defined in the Announcement.

DETAILS OF AWARD OF THE AWARD SHARES

On 9 December 2016, the Board has resolved to award an aggregate of 37,862,500 Award Shares (the “**Connected Award Shares**”) (the “**Award**”) to a Beneficiary who is a Director (the “**Connected Beneficiary**”) by way of issue and allotment of new Shares pursuant to a specific mandate (the “**Specific Mandate**”) to be obtained in an extraordinary general meeting to be convened by the Company (the “**EGM**”). Upon issuance and allotment of the new Shares, the Trustee will hold the new Award Shares in trust for the Connected Beneficiary and such new Award Shares shall be transferred to the Connected Beneficiary upon satisfaction of the vesting conditions. The number of Award Shares granted to the Connected Beneficiary is in accordance with his contributions to the Company and its subsidiaries (the “**Group**”).

AWARD TO THE CONNECTED BENEFICIARY

37,862,500 new Connected Award Shares were granted to the following connected person with details as follows:

Director	Number of new Award Shares
Jiang Yulin	37,862,500
Total	<u>37,862,500</u>

Mr. Jiang Yulin has abstained from voting on the Board resolution to approve the award of the Award Shares to him.

The aggregate of 37,862,500 new Connected Award Shares to be issued and allotted by the Company to the Connected Beneficiary represent approximately 9.9% of the total number of Shares in issue as at the date of this announcement and approximately 9.0% of the total number of Shares in issue as enlarged by the issue and allotment of the Connected Award Shares.

Based on the closing price of HK\$3.32 per Share as quoted on the Stock Exchange as at the date of this announcement, the market values of the 37,862,500 Connected Award Shares will be HK\$125,703,500.

Within five (5) years after each of the vesting dates, the Connected Beneficiary shall not sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Connected Award Shares which have been vested on and issued to the Connected Beneficiary under the Share Award Scheme. Save for the lock up period, the new Shares, when issued and fully paid, shall rank pari passu among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the date of allotment.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate 37,862,500 Connected Award Shares.

CONDITIONS

The issue and allotment of the 37,862,500 Connected Award Shares to the Connected Beneficiary shall be subject to the following conditions:

- 1) the approval by the Independent Shareholders at the EGM in respect of the issue and allotment of the Connected Award Shares pursuant to the Specific Mandate;
- 2) the granting of the listing and dealing approval by the Stock Exchange in respect of the Connected Award Shares;
- 3) the achievement of (i) a growth rate of not less than 10% on the average closing market capitalization of the Company throughout the first half of year 2017 based on the 30-days average closing market capitalization of the Company immediately preceding the date of adoption of the Share Award Scheme (the “**Benchmark Market Capitalization**”); (ii) a growth rate of not less than 15% on the average closing market capitalization of the Company throughout the second half of year 2017 based on the Benchmark Market Capitalization; and

(iii) expected return on equity (the “**Expected ROE**”) by the Company in each of the second to fifth year as recommended by the Remuneration Committee and approved by the Board from time to time, taking into account the economic environment and other appropriate factors as it thinks fit. The Remuneration Committee may also make recommendations on any adjustments for the forthcoming year for the Board’s approval, taking into account the above factors. In any event, the Expected ROE will not be less than 12% (“**Minimum Expected ROE**”).

Any change in the above vesting conditions (including the Minimum Expected ROE) will be subject to the approval by the Independent Shareholders.

FURTHER DETAILS OF THE AWARD SHARES

The information in relation to the issue and allotment of the 37,862,500 new Connected Award Shares to the Beneficiaries is set out below:

Securities to be issued:	37,862,500 new Shares, to be issued and allotted to the Connected Beneficiary
Funds to be raised:	No fund will be raised by the Company as a result of the issue and allotment of the Connected Award Shares
Reasons for the issue:	For better utilization of the resources of the Company, the issue is to make available the Award Shares for granting to the Connected Beneficiary under the Share Award Scheme, which forms part of the incentive schemes of the Company that provide incentives to the Beneficiaries and will allow the Group to encourage and retain talents to work with the Group to achieve the objectives of increasing the value of the Company and aligning the interests of the Beneficiaries directly to the Shareholders through ownership of Shares
Identity of the allottee(s):	The Trustee, which will hold the Award Shares in trust in accordance with the trust deed for the Connected Beneficiary, who is a Director
Market price of the Shares:	<p>The closing price of the Shares as at 9 December 2016 as quoted on the Stock Exchange is HK\$3.32 per Share</p> <p>The average closing price of the Shares for the five consecutive trading days immediately preceding 9 December 2016 as quoted on the Stock Exchange is HK\$3.312 per Share</p>

Vesting: Subject to the satisfaction of the vesting criteria and conditions of the Award, the Award Shares shall be transferred to the Connected Beneficiary upon expiry of the following vesting period:

Vesting Date	Number of Award Shares to be vested
31 July 2017	3,786,250
31 January 2018	3,786,250
31 March 2019	7,572,500
31 March 2020	7,572,500
31 March 2021	7,572,500
31 March 2022	7,572,500

As at each of the above vesting dates, the Company, at its absolute discretion, is entitled to adjust the actual amount of Award Shares that can be vested to the Connected Beneficiary according to his performance.

Fund raising activities in the past 12 months: The Company has not engaged in any fund raising exercises in the 12 months immediately preceding the date of this announcement.

REASONS FOR THE AWARD OF THE AWARD SHARES

The principal business of the Group are investment holding and provision of hospitality related services.

The Share Award Scheme forms part of the incentive schemes of the Group. The Board considers that the award of the Award Shares to the Connected Beneficiary provides incentives to the Connected Beneficiary and will allow the Group to encourage and retain talents to work with the Group to achieving the objectives of increasing the value of the Company and aligning the interests of the Connected Beneficiary directly to the Shareholders through ownership of Shares. The award of the Award Shares to the Connected Beneficiary recognizes his expertise which will support the Group's business expansion and his long term support and commitment to the Group and his effort will promote the Group's future development.

Furthermore, there will not be any actual cash outflow by the Group under the award of the Award Shares to provide incentives to the Connected Beneficiary. In this regard, the Directors consider that the terms and conditions of the Award are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ISSUE OF THE CONNECTED AWARD SHARES ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the total number of Shares in issue was 382,449,524 Shares. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Connected Award Shares:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Connected Award Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
China Tian Yuan Manganese Limited	249,539,294 ^{Note}	65.25	249,539,294	59.37
Trustee	—	—	37,862,500	9.01
Public Shareholders	<u>132,910,230</u>	<u>34.75</u>	<u>132,910,230</u>	<u>31.62</u>
	<u>382,449,524</u>	<u>100%</u>	<u>420,312,024</u>	<u>100%</u>

Note: China Tian Yuan Manganese Limited is a wholly-owned subsidiary of Ningxia Tian Yuan Manganese Industry Co., Ltd., a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, Mr. Jia Tianjiang is deemed to be interested in the 249,539,294 shares of the Company held by China Tian Yuan Manganese Limited.

LISTING RULES IMPLICATIONS

The Connected Beneficiary is a Director and accordingly a connected person (as defined in Chapter 14A of the Listing Rules) to the Company and the issue and allotment of 37,862,500 Connected Award Shares to the Connected Beneficiary under the Share Award Scheme shall constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The maximum number of Award Shares which may be granted under the Share Award Scheme is 38,244,952 Award Shares. As such, the Connected Beneficiary's interest in the Share Award Scheme is approximately 99%. Therefore, pursuant to Rule 14A.12(1)(b) of the Listing Rules, the Trustee is an associate of the Connected Beneficiary and the issue of the Connected Award Shares to the Trustee shall also

constitute a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is also subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the Trustee, the Connected Beneficiary and their respective associates are required to abstain from voting on the resolution at the EGM to approve the Award.

GENERAL

The independent board committee (the “**Independent Board Committee**”), comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the award of the Connected Award Shares to the Connected Beneficiary is on normal commercial terms, and in the ordinary and usual course of business of the Group and that the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company will appoint an independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in this respect.

EGM AND CIRCULAR

The Company will convene an EGM to seek approval from the Independent Shareholders in respect of the award of the Connected Award Shares to the Connected Beneficiary by way of issue and allotment of new Shares pursuant to the Specific Mandate. The circular to the EGM containing, among other things, (i) details of the issue and allotment of the Connected Award Shares, (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be dispatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

By order of the Board of
City e-Solutions Limited
Jiang Yulin
Chairman

Hong Kong, 9 December 2016

As at the date of this announcement, the board is comprised of six directors of which Mr. Jiang Yulin, Ms. Zhang Xian and Mr. Lawrence Yip Wai Lam are the executive directors; and Mr. Hu Baihe, Mr. Yuen Kwok Kuen and Mr. Guo Jingbin are the independent non-executive directors.