City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

PROFIT WARNING ANNOUNCEMENT

This announcement is made in accordance with Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors that the Group is expected to record a loss of about HK$17 million for the six months ended 30 June 2016 subject to the finalisation and necessary adjustments to the financial statements of the Group. The Board considers that the loss was mainly attributable to the net unrealized loss arising from fair value readjustment of the Group's trading securities as at reporting date which was partially offset by the share of net gain arising from the disposal of a hotel by the Group's jointly-controlled entity.

WARNING:

Shareholders and/or potential investors of the Company should note that the profit warning contained in this announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus are advised to exercise caution in placing reliance on the information contained in this announcement when assessing the merits and demerits of the Offer and when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

This announcement is made by City e-Solutions Limited (the "**Company**", together with its subsidiaries, joint arrangements and associates, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

Based on the preliminary assessment of the available unaudited financial information of the Group for the six months ended 30 June 2016, the board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that the Group is expected to record a loss of about HK$17 million for the six months ended 30 June 2016 as compared with a loss of HK$10.6 million for the corresponding period in 2015. The Board considers that the loss was mainly attributable to the net unrealized loss arising from fair value readjustment of the Group's trading securities as at reporting date which was partially offset by the share of net gain arising from the disposal of a hotel by the Group's jointly-controlled entity.

The information contained in this announcement is based on information currently available to the Group and a preliminary assessment of the management accounts of the Group by the management of the Company. It is not based on any figures or information that has been audited or reviewed by the Company's auditors and remains subject to finalisation and necessary adjustments. Further details of the Group's financial information will be disclosed in the unaudited financial results announcement of the Company for the six months ended 30 June 2016, which is expected to be published on 10 August 2016.

The Board also refers to the joint announcement dated 22 July 2016 (the "**Joint Announcement**") made by the Company and China Tian Yuan Manganese Limited in relation to the Offer (as defined in the Joint Announcement). As this announcement is issued during the Offer Period (as defined in the Joint Announcement), the Company is required to comply with the relevant requirements of the Takeovers Code (as defined in the Joint Announcement). Pursuant to Rule 10 of the Takeovers Code, this profit warning announcement is regarded as a profit forecast and would need to be reported on by the Company's financial advisers and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code, and their reports must be included in the next document to be sent to the Shareholders.

However, as contemplated in Practice Note 2 issued by the Executive (as defined in the Joint Announcement), this profit warning announcement is permitted to be published without full compliance with Rule 10.4 of the Takeovers Code because this announcement is required to be made pursuant to Rule 13.09 of the Listing Rules and

Part XIVA of the SFO, which requires the Company to issue a profit warning announcement as soon as practicable. Given the time constraint, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code.

Under Practice Note 2 issued by the Executive, the reports from the Company's financial advisers and auditors or accountants on this profit warning announcement are required to be included in the next document to be sent to the Shareholders. As the unaudited interim results announcement of the Company for the six months ended 30 June 2016 is expected to be published on 10 August 2016, the requirement of "reporting on" under Rule 10 of the Takeovers Code for this profit warning announcement is expected to be superseded by the publication of the unaudited interim results of the Company. In any event, such unaudited interim results would also be included in the Composite Document to be issued to the Shareholders.

WARNING:

Shareholders and/or potential investors of the Company should note that the profit warning contained in this announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code, and thus are advised to exercise caution in placing reliance on the information contained in this announcement when assessing the merits and demerits of the Offer and when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

By order of the Board
Kwek Leng Beng
Chairman and Managing Director

Hong Kong, 1 August 2016

As at the date of this announcement, the Board is comprised of 8 directors, of which 3 are executive directors, namely Mr. Kwek Leng Beng, Mr. Gan Khai Choon and Mr. Lawrence Yip Wai Lam, 2 are non-executive directors, namely Mr. Chan Bernard Charnwut and Mr. Ronald Nathaniel Issen and 3 are independent non-executive directors, namely Dr. Lo Ka Shui, Mr. Lee Jackson a.k.a. Li Chik Sin and Mr. Teoh Teik Kee.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.