

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



City e-Solutions Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 557)

VOLUNTARY ANNOUNCEMENT STRATEGIC COOPERATION FRAMEWORK AGREEMENT IN RELATION TO POSSIBLE JOINT VENTURE

The Board is pleased to announce that on 19 July 2017, the Company entered into the Framework agreement with an independent third party in relation to the Possible Joint Venture.

This is a voluntary announcement made by City e-Solutions Limited (the “**Company**”) to inform shareholders and potential investors of the Company of its latest business developments.

The board of directors (the “**Board**”) of the Company is pleased to announce that on 19 July 2017 (after trading hours), the Company entered into a legally binding strategic cooperation framework agreement (the “**Framework Agreement**”) with a recognized expert in the field of assisted reproductive technologies (the “**JV Partner**”), in relation to a possible joint venture to engage in the provision of fertility clinical services in the United States (the “**Possible Joint Venture**”).

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiry, the JV Partner is a third party independent of the Company and its connected persons (as defined under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Pursuant to the Framework Agreement, the parties agreed, among other things, that (i) the clinical facility to be established and operated by the Possible Joint Venture shall be situated in the United States, (ii) the Company will contribute 100% of the total investment amount for the Possible Joint Venture, and (iii) the JV Partner shall be responsible for assembling a team of medical practitioners including doctors and researchers for the healthcare facility and building up the marketing team.

The Board considers that the Framework Agreement was entered into in the ordinary course of business of the Company and on normal commercial terms after arm's length negotiation.

The Framework Agreement serves only as the basis for further specific cooperation between the Company and the JV Partner with respect to the Possible Joint Venture, and the specific matters in respect of such cooperation will be subject to the execution of legally binding definitive agreements between both parties.

REASONS FOR AND BENEFITS OF THE POSSIBLE JOINT VENTURE

In order to diversify the business of the Company and its subsidiaries (collectively, the “**Group**”) and maximise returns to the shareholders, the Group has been actively seeking various investment opportunities. By investing in the Possible Joint Venture, the Group is better able to further develop a new business segment in high-growth healthcare-related industries.

The current market size of assisted reproduction in-vitro fertilization (“**IVF**”) services is estimated to be approximately RMB160 billion, and the Company anticipates that the potential Chinese market for assisted reproduction services may reach RMB400 billion by 2020. Due to various safety and ethical considerations, licensing of assisted reproduction facilities in China is strictly regulated, and only 451 entities had been issued permits to engage in this business. As such, demand coverage is low and there is a relatively greater gap in the market. In recent years, the spillover of demand for such services in the Chinese market has contributed to the rapid growth of overseas assisted reproduction clinical facilities especially in the United States where better healthcare technology, infrastructure and services enable a higher success rate to be achieved. Gross margin for this segment generally ranges between 20% to 50%, which also signifies a larger profit margin.

The Possible Joint Venture will thus allow the Company to tap the under-met increasing demand for assisted reproductive IVF services and realise a new revenue stream to improve profitability.

GENERAL

The Board wishes to emphasise that no definitive agreement in relation to the Possible Joint Venture has been entered into as at the date of this announcement. As such, the Possible Joint Venture may or may not proceed. The Possible Joint Venture, if materialises, may constitute a notifiable transaction under Chapter 14 of the Listing Rules. Further announcement in respect of the Possible Joint Venture will be made by the Company as and when appropriate in accordance with the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 19 July 2017

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