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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Resources Enterprise, Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**華潤創業有限公司**  
**China Resources Enterprise, Limited**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock code: 291)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**SALE OF THE REMAINING INTEREST OF  
CHINA RESOURCES ENTERPRISE, LIMITED IN ITS  
JOINT VENTURE WITH ESPRIT HOLDINGS LIMITED  
IN THE PEOPLE'S REPUBLIC OF CHINA**

**Financial Adviser to  
China Resources Enterprise, Limited**

**Goldman  
Sachs**

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**



**PLATINUM**  
Securities

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A letter from the Board is set out on pages 5 to 12 of this circular and a letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 25 of this circular.

6 January 2010

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings, unless the context otherwise requires:*

“Announcement”	the joint announcement of the Company and Esprit dated 17 December 2009
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business”	the business of establishing and maintaining distribution, promotion and retail sale activities of products bearing the “Esprit” and “Red Earth” trademarks in the PRC
“Completion”	completion of the Transaction
“Consideration”	the consideration for the Transaction, being an aggregate amount of HK\$3,880,000,000
“Cut-off Date”	<p>(a) 17 February 2010 or such earlier date as Esprit may notify TSI, provided that the Shareholders’ Approval Condition has been fulfilled on or before such date and Esprit has not on or before such date given notice to the Company of an event constituting a Material Adverse Change; or</p> <p>(b) a date later than 17 February 2010 as Esprit or the Company may request and agreed by the other party, provided that the Shareholders’ Approval Condition has been fulfilled on or before such date and Esprit has not on or before such date given notice to the Company of an event constituting a Material Adverse Change and further provided that such date shall not be later than 17 March 2010; or</p> <p>(c) (if Esprit gives notice to the Company on or before 17 February 2010 of an event constituting a Material Adverse Change) a date no later than six months after the date of such notice, provided that the Shareholders’ Approval Condition has been fulfilled on or before such date</p>

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## DEFINITIONS

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“Company”	China Resources Enterprise, Limited (Stock Code: 291), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“ECDL”	Esprit China Distribution Limited
“Esprit”	Esprit Holdings Limited
“Esprit Group”	Esprit and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board constituted by the independent non-executive Directors, namely Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon, for the purpose of considering and advising the Independent Shareholders in connection with the Transaction
“Independent Financial Adviser”	Platinum Securities Company Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transaction
“independent shareholder”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Independent Shareholders”	the independent shareholders of the Company
“Latest Practicable Date”	31 December 2009, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the undocumented non-interest bearing and security free loan which has been advanced by TSI to the Target Company and, subject to the agreement of ECDL, to be advanced by TSI to the Target Company following the date of the Sale and Purchase Agreement until the date of Completion, together with all accrued interest (if any) as at the date of Completion, which principal amount as at the date of the Sale and Purchase Agreement is HK\$18,008,748
“Material Adverse Change”	any material adverse change or development in the domestic or international loan syndication, financial, debt or market conditions, or any monetary or trading settlement system, including bond markets, money or inter-bank markets, which prevent the Esprit Group from raising finance in the international syndicated loan, debt, bank, capital or equity markets to fund the payment of the Second Instalment, provided that ECDL can demonstrate to TSI’s satisfaction that it has explored all reasonable funding raising options available to the Esprit Group and it was impracticable for the Esprit Group to proceed with any such options
“PRC”	The People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 December 2009 entered into by the Company, TSI, ECDL and Esprit
“Second Instalment”	the second instalment of the Consideration of HK\$2,992,000,000 to be paid on the Cut-off Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shareholders”	the holders of Shares

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## DEFINITIONS

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“Shareholders’ Approval Condition”	the grant of a waiver by the Stock Exchange to the Company from strict compliance with the Listing Rules to hold a general meeting for the approval of independent shareholders of the Company (being those Shareholders who are independent of Esprit and its associates) in respect of the Sale and Purchase Agreement and the transactions contemplated therein pursuant to Rule 14A.43 of the Listing Rules, or if no such waiver is granted, the approval, by such independent shareholders of the Company at a duly convened general meeting, to the Sale and Purchase Agreement and the transactions contemplated therein, as connected transactions of the Company in accordance with the Listing Rules
“Shares”	ordinary shares of HK\$1.00 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Glory Raise Limited
“Target Group”	the Target Company and its subsidiaries from time to time
“Transaction”	the sale and purchase of 100% of the issued shares in the capital of the Target Company
“TSI”	Tactical Solutions Incorporated, a company indirectly owned as to 51% by the Company and as to 49% by Esprit
“TSI Group”	TSI and its subsidiaries
“%”	per cent.

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## LETTER FROM THE BOARD

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# 華潤創業有限公司 China Resources Enterprise, Limited

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 291)

*Executive Directors:*

Mr. Qiao Shibo (*Chairman*)  
Mr. Chen Lang (*Managing Director*)  
Mr. Wang Qun (*Deputy Managing Director*)  
Mr. Lau Pak Shing (*Deputy Managing Director*)  
Mr. Lai Ni Hium (*Deputy Managing Director*)

*Registered office:*

39/F, China Resources Building  
26 Harbour Road,  
Wanchai,  
Hong Kong

*Non-executive Directors:*

Mr. Jiang Wei  
Mr. Yan Biao  
Mr. Li Fuzuo  
Mr. Du Wenmin

*Independent non-executive Directors:*

Dr. Chan Po Fun, Peter  
Mr. Houang Tai Ninh  
Dr. Li Ka Cheung, Eric  
Dr. Cheng Mo Chi  
Mr. Bernard Charnwut Chan  
Mr. Siu Kwing Chue, Gordon

6 January 2010

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **SALE OF THE REMAINING INTEREST OF CHINA RESOURCES ENTERPRISE, LIMITED IN ITS JOINT VENTURE WITH ESPRIT HOLDINGS LIMITED IN THE PEOPLE'S REPUBLIC OF CHINA**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 17 December 2009 in which the respective boards of the Company and Esprit announced that Esprit would acquire

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## LETTER FROM THE BOARD

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from the Company the interest which it does not own in the joint venture business of the parties engaged in establishing and maintaining distribution, promotion and retail sale activities of products bearing the “Esprit” and “Red Earth” trademarks in the PRC on an exclusive basis.

The purpose of this circular is to provide you with details of the Transaction and certain other information in accordance with the requirements of the Listing Rules.

### THE SALE AND PURCHASE AGREEMENT

#### Date

17 December 2009

#### Parties

Seller:	TSI
Seller Guarantor:	the Company
Purchaser:	ECDL
Purchaser Guarantor:	Esprit

The Company has agreed to guarantee the due observance and performance by TSI of all of its obligations under the Sale and Purchase Agreement and Esprit has agreed to guarantee the payment obligations of ECDL under the Sale and Purchase Agreement.

#### The Transaction

Pursuant to a legally binding Sale and Purchase Agreement dated 17 December 2009, (a) TSI has agreed to sell and ECDL has agreed to acquire, 100% of the issued shares in the Target Company, a wholly-owned subsidiary of TSI, and (b) TSI has agreed to assign and ECDL has agreed to accept the assignment of the Loan, for an aggregate consideration of HK\$3,880,000,000. In addition to the Transaction, the Company and ECDL have also agreed that ECDL’s 49% interest in TSI will be transferred to the Company for a nominal consideration of HK\$1.00 on Completion. In connection with the Transaction, the Target Group will establish certain new operating subsidiaries in the PRC which will own and operate the Business (the “**Reorganisation**”). During the period between the Cut-off Date and Completion, Esprit will assume the risks of the Business (and bear all losses and liabilities accordingly) and will receive all of the economic benefits of the Business.

#### Consideration

The aggregate consideration for the Transaction is HK\$3,880,000,000 and is payable in cash in the following instalments:

- (i) HK\$388,000,000 on the signing of the Sale and Purchase Agreement;
- (ii) HK\$2,992,000,000 on the Cut-off Date; and



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## LETTER FROM THE BOARD

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(iii) HK\$500,000,000 payable as follows, contingent upon the satisfaction of certain milestones:

- (a) HK\$50,000,000 within three business days of the establishment of each new operating subsidiary (total HK\$300,000,000);
- (b) HK\$100,000,000 within three business days of the completion of final verification by ECDL in respect of such number of new retail leases executed by the new operating subsidiaries which replace 50% of the existing retail leases in accordance with the Sale and Purchase Agreement;
- (c) HK\$80,000,000 within three business days of the completion of final verification by ECDL in respect of such number of new retail leases executed by the new operating subsidiaries which replace 90% of the existing retail leases (inclusive of those leases referred to in paragraph (b) above) in accordance with the Sale and Purchase Agreement; and
- (d) HK\$20,000,000 within three business days of the earlier of (i) the date of completion of the Reorganisation and (ii) completion of final verification by ECDL in respect of such number of new retail leases executed by the new operating subsidiaries which replace 100% of the existing retail leases (including those leases referred to in paragraphs (b) and (c) above) in accordance with the Sale and Purchase Agreement.

The Consideration was determined after arm's length negotiations between the Company and Esprit with reference to price earnings multiples of listed companies in comparable businesses in the PRC and advice provided by the respective financial advisers to the Company and Esprit.

To the knowledge of the Company, the Consideration will be funded from Esprit's internal resources and loans from commercial banks.

### **Conditions**

Completion of the Transaction is conditional on the following conditions having been fulfilled:

- (a) the grant of a waiver by the Stock Exchange to the Company from strict compliance with the Listing Rules to hold a general meeting for the approval of independent shareholders of the Company (being those Shareholders who are independent of Esprit and its associates) in respect of the Sale and Purchase Agreement and the transactions contemplated therein pursuant to Rule 14A.43 of the Listing Rules, or if no such waiver is granted, the approval, by such independent shareholders of the Company at a duly convened general meeting, to the Sale and Purchase Agreement and the transactions contemplated therein, as connected transactions of the Company in accordance with the Listing Rules;

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## LETTER FROM THE BOARD

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- (b) completion of the Reorganisation; and
- (c) the receipt by ECDL of all regulatory approvals in Hong Kong and the PRC which the parties consider necessary in connection with the Transaction.

The long-stop date for fulfilment of the conditions is 30 June 2011 or such later date as the parties may agree.

The Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with the requirement to hold a general meeting to seek Independent Shareholders' approval of the Sale and Purchase Agreement pursuant to Rule 14A.43 of the Listing Rules. As at the Latest Practicable Date, the above conditions (other than the condition in paragraph (a) above) have not been fulfilled.

### **Termination**

ECDL may terminate the Sale and Purchase Agreement by notice to TSI at any time before Completion if, amongst others, there is a material breach of any warranty given by the Company in the Sale and Purchase Agreement or there is a material breach of the obligations of the Company or TSI under the Sale and Purchase Agreement.

### **Completion**

Completion is not expected to take place until the second half of 2010. However, the parties have agreed that, as between themselves, ECDL shall receive the full economic benefit of the Business and will be deemed to have assumed the risk of the Business with effect from the Cut-off Date.

In the event that the Transaction is not completed on account of the non-fulfilment of a condition or the Sale and Purchase Agreement is terminated by ECDL, the parties will work together to restore their respective positions as if the Sale and Purchase Agreement had not been entered into.

**The shareholders of and/or prospective investors in the Company are advised to exercise caution when dealing in the Shares given that Completion is subject to the fulfilment of certain conditions.**

### **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in the British Virgin Islands. The Target Company is an investment holding company and through its direct and indirect subsidiaries will progressively continue the business of establishing and maintaining distribution, promotion and retail sale activities of products bearing the "Esprit" and "Red Earth" trademarks in the PRC.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE TSI GROUP

TSI is a company incorporated in the British Virgin Islands. TSI is an investment and licence rights holding company and a joint venture company indirectly owned as to 51% by the Company and as to 49% by Esprit. The TSI Group currently is engaged in the business of establishing and maintaining distribution, promotion and retail sale activities of products bearing the “Esprit” and “Red Earth” trademarks in the PRC on an exclusive basis. As at 30 June 2009, the TSI Group operated 1,112 stores in 171 cities in the PRC, comprising 345 self-operated stores and 767 franchised stores.

### VALUE OF THE TSI GROUP

Set out below is the key financial information on the TSI Group based on its audited financial statements and unaudited consolidated management accounts:

	Year ended 31 December		Six months ended 30 June
	2007	2008	2009
	(HK\$ million)	(HK\$ million)	(HK\$ million)
	(audited)	(audited)	(unaudited)
Turnover	1,919	2,578	1,263
Net profit before taxation	371	456	139
Net profit after taxation	260	362	110

As at 30 September 2009, the unaudited consolidated net asset value of the TSI Group was approximately HK\$612 million.

The Company’s preliminary view, subject to discussion with and confirmation from its auditors, is that it will record a gain on disposal of its interest in the TSI Group of approximately HK\$3.2 billion, based on a deduction of the Company 51% share of the adjusted net asset value of the TSI Group from the sale proceeds.

### REASONS FOR THE TRANSACTION

The terms of the Sale and Purchase Agreement were determined after arm’s length negotiations between the Company and Esprit and reflect normal commercial terms.

As explained in the Company’s 2009 interim report, the Group’s strategy is to divest non-core businesses and focus on reinforcing its market leadership in its core consumer businesses, namely retail, beverage, food processing and distribution. The Company considers its current 51% indirect shareholding in TSI as non-core, given its relative size and the limited strategic fit with the Group’s other businesses. Therefore, the Directors view the Transaction as an excellent opportunity for the Company to divest its interest in the Business and re-deploy the sale proceeds from the Transaction into its core businesses. The Company will endeavour

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## LETTER FROM THE BOARD

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to prudently identify and evaluate investment opportunities to enhance its core competence through acquisition and expansion of its existing operations, and has no current intention to apply any of the sale proceeds in or towards the payment of any special dividend to the Shareholders. On Completion, the Target Group will cease to be subsidiaries of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### INFORMATION RELATING TO ESPRIT

Esprit is principally engaged in the business of establishing and maintaining distribution, promotion and retail sale activities of products bearing the “Esprit” trademark. Esprit is listed on the Main Board of the Stock Exchange and is a constituent stock of the Hang Seng Index.

### INFORMATION RELATING TO THE COMPANY

The Company is also listed on the Main Board of the Stock Exchange and a constituent stock of the Hang Seng Index. It has a business emphasis on consumer businesses in the PRC and Hong Kong. The core activities of the Company and its subsidiaries are retail, beverage, food processing and distribution, and property investments.

### LISTING RULE IMPLICATIONS OF THE TRANSACTION

#### Discloseable and Connected Transaction

Esprit is the ultimate beneficial owner of 49% of the issued share capital of TSI as at the Latest Practicable Date. TSI is a 51% owned subsidiary of the Company. Esprit, as a substantial shareholder of TSI, is therefore a connected person of the Company. Accordingly, the signing of the Sale and Purchase Agreement, including the transactions contemplated thereby constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the relevant percentage ratios in respect of the Transaction exceeds 2.5%, the Transaction is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. In addition, as one or more of the relevant percentage ratios in respect of the Transaction exceeds 5% but less than 25%, the Transaction also constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules.

As at the Latest Practicable Date, neither Esprit nor any of its associates holds any shares in the Company. No shareholder of the Company would be required to abstain from voting were the Company to convene an extraordinary general meeting for the approval of the Sale and Purchase Agreement and transactions contemplated therein. The Company has had no prior transaction with Esprit and/or its ultimate beneficial owners that requires aggregation under Rule 14A.25 of the Listing Rules.

Pursuant to Rule 14A.43 of the Listing Rules, a written independent shareholders' approval obtained from closely allied group of shareholders holding more than 50% in nominal

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## LETTER FROM THE BOARD

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value of the securities giving the right to attend and vote at a general meeting convened to approve the connected transaction may be accepted in lieu of holding such a general meeting if no shareholder of the listed issuer is required to abstain from voting if the listed issuer were to convene such a general meeting.

As at the Latest Practicable Date, Globe Fame Investments Limited held 1,232,764,380 Shares representing approximately 51.46% of the entire issued share capital of the Company. Globe Fame Investments Limited has, on 17 December 2009 given its approval in writing of the Sale and Purchase Agreement. Globe Fame Investments Limited has further confirmed that in the event that Independent Shareholders' approval at a general meeting in respect of the Sale and Purchase Agreement is required, it will, and where applicable, procure its respective nominees to, vote in favour of it. It does not have any material interest in the Sale and Purchase Agreement which is different from those of the other Shareholders.

Therefore, as far as the Company is aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement. Accordingly, the Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with the requirement to hold a general meeting to seek Independent Shareholders' approval of the Sale and Purchase Agreement pursuant to Rule 14A.43 of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE

The independent board committee of the Company comprising Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Transaction.

Platinum Securities Company Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### GENERAL

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 13 to 14 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Transaction; and (ii) the letter from the Independent Financial Adviser set out on pages 15 to 25 of this circular which contains the recommendation of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation.

The Board considers that the terms of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board  
**China Resources Enterprise, Limited**  
**Lai Ni Hium**  
*Executive Director and Company Secretary*



**華潤創業有限公司**  
**China Resources Enterprise, Limited**

*(Incorporated in Hong Kong with limited liability)*  
**(Stock code: 291)**

6 January 2010

*To the Independent Shareholders*

Dear Sir / Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**SALE OF THE REMAINING INTEREST OF  
CHINA RESOURCES ENTERPRISE, LIMITED IN ITS  
JOINT VENTURE WITH ESPRIT HOLDINGS LIMITED  
IN THE PEOPLE'S REPUBLIC OF CHINA**

We refer to the circular dated 6 January 2010 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings given to them in the Circular.

We, being the Independent Board Committee, have been appointed by the Board and constituted for the purpose of considering and advising the Independent Shareholders in connection with the Transaction. Platinum Securities Company Limited has been appointed as the independent financial adviser by the Board to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transaction.

We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 15 to 25 of the Circular. We have considered the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 5 to 12 of the Circular.

We understand that as at the Latest Practicable Date, neither Esprit nor any of its associates holds any shares in the Company. The Company has had no prior transaction with Esprit and/or its ultimate beneficial owners that requires aggregation under Rule 14A.25 of the Listing Rules. We also note that as at the Latest Practicable Date, Globe Fame Investments Limited held 1,232,764,380 Shares representing approximately 51.46% of the entire issued share capital of the Company. Globe Fame Investments Limited has, on 17 December 2009 given its approval in writing of the Sale and Purchase Agreement. As far as the Company is

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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aware, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement. Accordingly, the Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with the requirement to hold a general meeting to seek the Independent Shareholders' approval of the Sale and Purchase Agreement pursuant to Rule 14A.43 of the Listing Rules.

Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Transaction are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Transaction is in the interests of the Company and the Shareholders as a whole. If a general meeting of the Company were to be held for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder, we would recommend the Independent Shareholders to vote in favour of the resolution in this regard.

As at the Latest Practicable Date, Dr. Chan Po Fun, Peter was taken to be interested in 506,000 Shares and outstanding share options of the Company covering 200,000 Shares, representing an aggregate of approximately 0.03% of the issued share capital of the Company, and Mr. Houang Tai Ninh and Dr. Li Ka Cheung, Eric were each beneficially interested in outstanding share options of the Company covering 200,000 Shares, representing an aggregate of approximately 0.02% of the issued share capital of the Company.

Yours faithfully

Independent Board Committee of  
**China Resources Enterprise, Limited**

**Dr. Chan Po Fun, Peter**

**Mr. Houang Tai Ninh**

**Dr. Li Ka Cheung, Eric**

**Dr. Cheng Mo Chi**

**Mr. Bernard Charnwut Chan**

**Mr. Siu Kwing Chue, Gordon**

*Independent non-executive Directors*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*



**PLATINUM** Securities Company Limited

22/F, Standard Chartered Bank Building  
4 Des Voeux Road Central  
Hong Kong

Telephone (852) 2841 7000  
Facsimile (852) 2522 2700

6 January 2010

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **SALE OF THE REMAINING INTEREST OF CHINA RESOURCES ENTERPRISE, LIMITED IN ITS JOINT VENTURE WITH ESPRIT HOLDINGS LIMITED IN THE PEOPLE'S REPUBLIC OF CHINA**

#### **INTRODUCTION**

We refer to the Announcement. On 6 January 2010, the Company despatched a circular (the "Circular") in relation to the Transaction to the Independent Shareholders, of which this letter forms part. Details of the Transaction are contained in the letter from the Board in the Circular and the appendix to the Circular, which you should read carefully.

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee as to whether the Transaction is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We are independent from, and are not connected with the Company or any other party to the Transaction or any of their respective associates, connected persons or parties acting in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee.

We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee in relation to the Transaction. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transaction or any of their respective associates, connected persons or parties acting in concert with any of them.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the annual report of the Group for the financial year ended 31 December 2007 (the “2007 Annual Report”); (ii) the annual report of the Group for the financial year ended 31 December 2008 (the “2008 Annual Report”); (iii) the interim report of the Group for the six months ended 30 June 2009 (the “2009 Interim Report”); and (iv) the third quarter financial and operational review of the Group for the nine months ended 30 September 2009 (the “2009 Third Quarter Review”).

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Transaction.

The Independent Board Committee, comprising the independent non-executive Directors, namely, Dr. Chan Po Fun, Peter, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon, has been established to advise the Independent Shareholders in relation to the Transaction.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Transaction and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### **1. Background of the Transaction**

On 17 December 2009, the respective boards of the Company and Esprit announced that Esprit would acquire from the Company the interest which it does not own in the joint venture business of the parties engaged in establishing and maintaining distribution, promotion and retail sale activities of products bearing the “Esprit” and “Red Earth” trademarks in the PRC on an exclusive basis.

The joint venture business between the parties is presently held through TSI, an investment and licence rights holding company, a joint venture company indirectly owned as to 51% by the Company and as to 49% by Esprit.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The details of the Sale and Purchase Agreement are as follows:

### **Date**

17 December 2009

### **Parties**

Seller:	TSI
Seller Guarantor:	the Company
Purchaser:	ECDL
Purchaser Guarantor:	Esprit

The Company has agreed to guarantee the due observance and performance by TSI of all its obligations under the Sale and Purchase Agreement and Esprit has agreed to guarantee the payment obligations of ECDL under the Sale and Purchase Agreement.

### **The Transaction**

Pursuant to a legally binding Sale and Purchase Agreement dated 17 December 2009, (a) TSI has agreed to sell and ECDL has agreed to acquire, 100% of the issued shares in the Target Company, a wholly-owned subsidiary of TSI, and (b) TSI has agreed to assign and ECDL has agreed to accept the assignment of the Loan, for an aggregate consideration of HK\$3,880,000,000. In addition to the Transaction, the Company and ECDL have also agreed that ECDL's 49% interest in TSI will be transferred to the Company for a nominal consideration of HK\$1.00 on Completion. In connection with the Transaction, the Target Group will establish certain new operating subsidiaries in the PRC which will own and operate the Business (the "Reorganisation"). During the period between the Cut-off Date and Completion, Esprit will assume the risks of the Business (and bear all losses and liabilities accordingly) and will receive all of the economic benefits of the Business.

### **Consideration**

The aggregate consideration for the Transaction is HK\$3,880,000,000 and is payable in cash in the following instalments:

- (i) HK\$388,000,000 on the signing of the Sale and Purchase Agreement;
- (ii) HK\$2,992,000,000 on the Cut-off Date; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iii) HK\$500,000,000 payable as follows, contingent upon the satisfaction of certain milestones:

- (a) HK\$50,000,000 within three business days of the establishment of each new operating subsidiary (total HK\$300,000,000);
- (b) HK\$100,000,000 within three business days of the completion of final verification by ECDL in respect of such number of new retail leases executed by the new operating subsidiaries which replace 50% of the existing retail leases in accordance with the Sale and Purchase Agreement;
- (c) HK\$80,000,000 within three business days of the completion of final verification by ECDL in respect of such number of new retail leases executed by the new operating subsidiaries which replace 90% of the existing retail leases (inclusive of those leases referred to in paragraph (b) above) in accordance with the Sale and Purchase Agreement; and
- (d) HK\$20,000,000 within three business days of the earlier of (i) the date of completion of the Reorganisation and (ii) completion of final verification by ECDL in respect of such number of new retail leases executed by the new operating subsidiaries which replace 100% of the existing retail leases (including those leases referred to in paragraphs (b) and (c) above) in accordance with the Sale and Purchase Agreement.

The Consideration was determined after arm's length negotiations between the Company and Esprit with reference to price earnings multiples of listed companies in comparable businesses in the PRC and advice provided by the respective financial advisers to the Company and Esprit.

To the knowledge of the Company, the Consideration will be funded from Esprit's internal resources and loans from commercial banks.

### **Conditions**

Completion of the Transaction is conditional on the following conditions having been fulfilled:

- (i) the grant of a waiver by the Stock Exchange to the Company from strict compliance with the Listing Rules to hold a general meeting for the approval of Independent Shareholders (being those Shareholders who are independent of Esprit and its associates) in respect of the Sale and Purchase Agreement and the transactions contemplated therein pursuant to Rule 14A.43 of the Listing Rules, or if no such waiver is granted, the approval, by such Independent Shareholders at a duly convened general meeting, to the Sale and Purchase Agreement and the transactions contemplated therein, as connected transactions of the Company in accordance with the Listing Rules;

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- (ii) completion of the Reorganisation; and
- (iii) the receipt by ECDL of all regulatory approvals in Hong Kong and the PRC which the parties consider necessary in connection with the Transaction.

The long-stop date for fulfilment of the conditions is 30 June 2011 or such later date as the parties may agree.

The Company has applied to the Stock Exchange and the Stock Exchange has granted a waiver from strict compliance with the requirement to hold a general meeting to seek Independent Shareholders' approval of the Sale and Purchase Agreement pursuant to Rule 14A.43 of the Listing Rules. As at the Latest Practicable Date, the above conditions (other than the condition in paragraph (i) above) have not been fulfilled.

### **Termination**

ECDL may terminate the Sale and Purchase Agreement by notice to TSI at any time before Completion if, amongst others, there is a material breach of any warranty given by the Company in the Sale and Purchase Agreement or there is a material breach of the obligations of the Company or TSI under the Sale and Purchase Agreement.

### **Completion**

Completion is not expected to take place until the second half of 2010. However, the parties have agreed that, as between themselves, ECDL shall receive the full economic benefit of the Business and will be deemed to have assumed the risk of the Business with effect from the Cut-off Date.

In the event that the Transaction is not completed on account of the non-fulfilment of a condition or the Sale and Purchase Agreement is terminated by ECDL, the parties will work together to restore their respective positions as if the Sale and Purchase Agreement had not been entered into.

According to the above payment terms, we note that the Group will receive at least approximately 87% of the Consideration by the Cut-off Date, which coincides with the date that Esprit will receive all of the economic benefits of the Business and assume the risks of the Business. As for the remaining 13% of the Consideration, we note that the payment is contingent upon the satisfaction of certain major milestones relating to the Reorganisation. As such, we are of the view that the payment terms for the Transaction are reasonable.

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### 2. The TSI Group

As mentioned earlier, the Business is presently carried out by the TSI Group. As at 30 June 2009, the TSI Group operated 1,112 stores in 171 cities in the PRC, comprising 345 self-operated stores and 767 franchised stores. The total number of outlets increased to 1,120 stores as at the end of September 2009.

The contribution from the TSI Group to the Group's total turnover and profit attributable to Shareholders for the past two financial years ended 31 December 2008 and for the six months ended 30 June 2009 is shown in Table 1 below.

**Table 1: Contribution from the TSI Group**

	<b>% of contribution from the TSI Group to the Group</b>		
	<b>For the financial year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Turnover <sup>Note 1</sup>	3.7%	4.0%	3.6%
Profit attributable to Shareholders <sup>Note 2</sup>	5.1%	7.3%	4.5%

*Notes:*

- Turnover from discontinued operations, if any, have been excluded.*
- Calculated based on the Company's effective interest of 51% in the TSI Group. Net corporate interest and expenses and profits from discontinued operations, if any, have been excluded.*

*Sources: The 2007 and 2008 Annual Reports and the 2009 Interim Report.*

As seen from Table 1 above, TSI Group contributed only 4% or less to the total turnover of the Group over the two financial years ended 31 December 2008 as well as for the six months ended 30 June 2009 (the "Review Period"). In addition, its contribution to the Group's profit attributable to Shareholders was less than 8% over the Review Period.

Moreover, the Company's effective interest in the unaudited consolidated net assets value ("NAV") of the TSI Group as at 30 September 2009 of approximately HK\$312 million represents only approximately 1% of the Group's unaudited consolidated NAV as at 30 September 2009 of approximately HK\$26,772 million.

Based on the above, we are of the view that the Company's 51% interest in the TSI Group is not a significant asset or business of the Group.

### 3. Reasons for the Transaction

As explained in the 2009 Interim Report, the Group's strategy is to divest non-core businesses and focus on reinforcing its market leadership in its core consumer businesses, namely retail, beverage, food processing and distribution.

The recent asset swap undertaken by the Group to transfer its textile business and minority interests in two container terminal operations with its parent company, in exchange for a hypermarket chain and a brewery operating in the PRC, demonstrates the Company's commitment to this strategy to reposition the Group's resources to concentrate on its core businesses.

Although we note that the branded fashion segment of the Group has enjoyed considerable growth in turnover and profit in the past few years, as stated in the letter from the Board in the Circular, the Company's current 51% indirect shareholding in TSI has limited strategic fit with the Group's other businesses. Based on our discussion with the management of the Company, we understand that the shareholding in TSI has few synergies with the other businesses of the Group. In addition, as stated in the section above headed "The TSI Group", TSI Group has a relatively small contribution to the Group's turnover and profit attributable to Shareholders over the Review Period and its asset size was insignificant to the Group as at 30 September 2009. As such, we concur with the Company's view as stated in the letter from the Board in the Circular that its investment in the TSI Group is non-core and that the Transaction is an excellent opportunity for the Company to divest its interest in the Business and re-deploy the sale proceeds from the Transaction into its core businesses. Based on our discussion with the management of the Company, we further understand that the Company will endeavour to prudently identify and evaluate investment opportunities to enhance its core competence through acquisition and expansion of its existing operations.

Having considered the above, we are of the view that although the disposal of companies and businesses is not in the ordinary and usual course of business of the Group, given that the Company's interest in TSI Group is not regarded as a core asset or business, and given the strategy of the Group to focus on its core businesses and exit its non-core businesses, the Transaction is nevertheless consistent with the strategy of the Group.

**4. Comparable companies**

As stated in the letter from the Board in the Circular, the Consideration was determined after arm's length negotiations between the Company and Esprit with reference to price earnings multiples of listed companies in comparable businesses in the PRC and advice provided by the respective financial advisers to the Company and Esprit.

We note that as the Group is a conglomerate with various lines of core businesses, including retail, beverage, food processing and distribution, we are of the view that a direct comparison of the Transaction against the Company would not be meaningful.

To assess whether the Consideration is fair and reasonable, we have evaluated the Transaction against a number of comparable companies in similar operations (the "Comparable Companies"), selected in accordance with the following criteria:

- (i) listed on the Stock Exchange with market capitalisation between HK\$3 billion and HK\$13 billion; and
- (ii) approximately 50% or more of turnover is generated in the PRC and from retailing or wholesaling of apparel and/or footwear.

Due to the unique business strategy and position of each company, we have identified companies with similar revenue contributions as compared to the TSI Group in order to develop the appropriate set of Comparable Companies. We are of the view that 50% sets a reasonable benchmark for us to conclude that a significant portion of the revenue from a particular company is generated from business similar to that of the TSI Group, hence, comparable to the latter. In addition, based on the Consideration, the entire equity interest in the TSI Group is valued at approximately HK\$7.6 billion (the "Implied Value"). As such, we have selected companies with market capitalisation that is in close proximity to the Implied Value. The Comparable Companies are selected exhaustively based on the above criteria, which have been identified, to our best endeavour, in our research through public information.



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In our assessment, we have considered price-to-earnings ratio (“PER”), price-to-sales ratio (“PSR”) and price-to-book ratio (“PBR”) as our benchmarks, all of which are commonly used valuation methodologies. The results of our analysis are detailed in Table 2 below.

**Table 2: Comparable Companies**

<b>Company</b>	<b>PER Times</b>	<b>PSR Times</b>	<b>PBR Times</b>
Daphne International Holdings Limited	19.7	1.9	4.8
Xtep International Holdings Limited	16.5	2.9	3.0
Peak Sport Products Co., Limited	21.1	3.9	2.9 <sup>Note 1</sup>
361 Degrees International Limited	12.6	2.4	3.3
China Lilang Limited	37.8	5.0	3.9 <sup>Note 1</sup>
Pou Sheng International (Holdings) Limited	10.4	0.7	1.0
Theme International Holdings Limited	n.m.	14.8	33.3
Glorious Sun Enterprises Limited	10.1	0.5	1.6
<b>Simple average</b>	<b>18.3</b>	<b>4.0</b>	<b>6.7</b>
<b>Minimum</b>	<b>10.1</b>	<b>0.5</b>	<b>1.0</b>
<b>Maximum</b>	<b>37.8</b>	<b>14.8</b>	<b>33.3</b>
<b>The Transaction</b>	<b>20.8<sup>Note 2</sup></b>	<b>3.0<sup>Note 3</sup></b>	<b>12.4<sup>Note 4</sup></b>

*Notes:*

1. Calculated based on the latest NAV disclosed in the respective companies' prospectus after adjusting for the net proceeds raised from their respective initial public offering.
2. Calculated by dividing the Consideration by the Company's effective interest in the net profit after taxation of the TSI Group for the financial year ended 31 December 2008 after excluding certain fair value adjustment, disposal gain and impairment.
3. Calculated by dividing the Consideration by the Company's effective interest in the turnover of TSI Group for the financial year ended 31 December 2008.
4. Calculated by dividing the Consideration by the Company's effective interest in the NAV of the TSI Group as at 30 September 2009.
5. For companies that have negative earnings, PER is denoted as not meaningful (“n.m.”).
6. PER is calculated by dividing market capitalisation as at the Latest Practicable Date by profit attributable to Shareholders from the latest annual audited financial statements after excluding fair value adjustment, disposal gain or loss, impairment and other material one-off items, if any.
7. PSR is calculated by dividing market capitalisation as at the Latest Practicable Date by turnover from the latest annual audited financial statements.

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8. *PBR is calculated by dividing market capitalisation as at the Latest Practicable Date by the NAV from the latest interim financial statements.*

*Sources: Financial statements and announcements of the respective companies and Bloomberg as at the Latest Practicable Date.*

Our analysis shows that the PER and the PBR of the Transaction are above the average of that of the Comparable Companies, and the PSR of the Transaction is within the range of that of the Comparable Companies.

However, we note that the PER of China Lilang Limited (“Lilang”) is relatively high as compared to that of the other Comparable Companies. If Lilang is excluded from our analysis, the PER of the Transaction will still remain above the average of that of the remaining Comparable Companies.

In addition, we also note that the PSR and PBR of Theme International Holdings Limited (“Theme”) is significantly higher than the rest of the Comparable Companies. Excluding Theme from our analysis will result in the PBR of the Transaction being higher than the range of that of the remaining Comparable Companies and the PSR of the Transaction will be higher than the average PSR of the rest of the Comparable Companies.

Based on our analysis above, we are of the view that the Consideration for the Transaction is fair and reasonable.

### **5. Financial Impact**

#### **5.1 Effect on the NAV and earnings**

According to the 2009 Third Quarter Review, the unaudited NAV of the Group as at 30 September 2009 was approximately HK\$26,772 million. Based on the 2008 Annual Report, profit attributable to Shareholders for the financial year ended 31 December 2008 was approximately HK\$2,322 million.

As stated in the letter from the Board in the Circular, the Group will record a gain on disposal of approximately HK\$3.2 billion for the Transaction subject to discussion with and confirmation from its auditors. As such, the Transaction will result in a positive impact on the Group’s NAV and earnings.

#### **5.2 Effect on net gearing**

According to the 2009 Third Quarter Review, as at 30 September 2009, the net gearing ratio of the Group was approximately 6%.

Based on information provided by the Company, we understand that as TSI Group does not have any external debt and its cash balances are significantly less than the Consideration, the Transaction will improve the cash level and net gearing ratio of the Group.

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In light of the above, in particular the Transaction will:

- (i) have a positive impact on the NAV and earnings of the Group; and
- (ii) increase the cash level and improve the net gearing ratio of the Group,

we are of the view that the Transaction will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following in arriving at our opinion:

- (i) TSI Group is not regarded as a significant asset or business of the Group due to its relative size and contribution;
- (ii) although the disposal of companies and businesses is not in the ordinary and usual course of business of the Group, given the Group's strategy to focus on its core businesses and exit its non-core businesses, the Transaction is nevertheless consistent with the strategy of the Group;
- (iii) the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (iv) the Transaction will have an overall positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the Transaction is on normal commercial terms, in line with the strategy of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, that the terms of the Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of

**Platinum Securities Company Limited**

**Ian Ramsay**  
*Director and Head of Corporate Finance*

**Lenny Li**  
*Assistant Director*

## 1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in any shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (a) Interests in issued ordinary shares and underlying shares of the Company

Name of Director	Long position/ Short position	Number of shares	Number of underlying shares <sup>1</sup>	Aggregate percentage of interest <sup>3</sup> (%)
Qiao Shibo	Long position	1,120,000	—	0.05
Chen Lang	Long position	800,000	—	0.03
Wang Qun	Long position	60,000	—	0.01
Lau Pak Shing	Long position	160,000	—	0.01
Jiang Wei	Long position	240,000	—	0.01
Yan Biao	Long position	500,000	—	0.02
Du Wenmin	Long position	100,000	—	0.01
Chan Po Fun,	Long position	336,000	200,000 <sup>2</sup>	0.03
Peter	Long position	170,000 <sup>4</sup>	—	—
Houang Tai	Long position	—	200,000 <sup>2</sup>	0.01
Ninh				
Li Ka Cheung,	Long position	—	200,000 <sup>2</sup>	0.01
Eric				

Notes:

- This refers to underlying shares of the Company covered by share options granted, such options being unlisted physically settled equity derivatives.

2. Options are exercisable from 2 June 2004 to 1 June 2014. Consideration for the grant is HK\$1.00.
3. This represents the percentage of the aggregate long positions in shares and underlying shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.
4. Such interest is held by a company of which Dr. Chan Po Fun, Peter is interested in 88.25% of its issued share capital.
5. Save as otherwise specified under note 4, interests disclosed hereunder are being held by each Director in his capacity as beneficial owner.

**(b) Interests in issued ordinary shares and underlying shares of associated corporations**

As at the Latest Practicable Date, certain Directors had interests in the issued ordinary shares and underlying shares covered by options granted under the share option schemes of associated corporations (within the meaning of the SFO) of the Company, such options being unlisted physically settled equity derivatives:

- (i) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Land Limited:*

Name of Director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise Price (HK\$)	Date of grant	Aggregate percentage of interest <sup>3</sup> (%)
Qiao Shibo	Long position	700,000	–	–	–	0.01
Lau Pak Shing	Long position	250,000	–	–	–	0.01
Jiang Wei	Long position	892,000	–	–	–	0.02
Yan Biao	Long position	1,992,000	–	–	–	0.04
Li Fuzuo	Long position	1,000,000	–	–	–	0.02
Du Wenmin	Long position	790,000	250,000	1.230	01/06/2005 <sup>2</sup>	0.02

*Notes:*

1. The number of share options refers to the number of underlying shares of China Resources Land Limited covered by the share options.
2. Options are vested in four tranches and exercisable over a period from 1 June 2006, 2007, 2008 and 2009, respectively to 31 May 2015. Consideration for the grant is HK\$1.00.
3. This represents the percentage of the aggregate long positions in shares and underlying shares of China Resources Land Limited to the total issued share capital of China Resources Land Limited as at the Latest Practicable Date.
4. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(ii) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Gas Group Limited:*

Name of Director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise Price (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup> (%)
Qiao Shibo	Long position	400,000	–	–	–	0.03
Li Fuzuo	Long position	51,000	–	–	–	0.01
Du Wenmin	Long position	54,000	–	–	–	0.01

*Notes:*

1. The number of share options refers to the number of underlying shares of China Resources Gas Group Limited covered by the share options.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of China Resources Gas Group Limited to the total issued share capital of China Resources Gas Group Limited as at the Latest Practicable Date.
3. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(iii) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Power Holdings Company Limited:*

Name of Director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise Price (HK\$)	Date of grant	Aggregate percentage of interest <sup>6</sup> (%)
Qiao Shibo	Long position	888,000 <sup>7</sup>	122,160	2.750	12/11/2003 <sup>2</sup>	0.03
	Long position	–	203,600	3.919	18/03/2005 <sup>3</sup>	–
Chen Lang	Long position	–	305,400 <sup>8</sup>	2.750	12/11/2003 <sup>2</sup>	0.01
	Long position	–	152,700 <sup>8</sup>	4.641	18/11/2005 <sup>4</sup>	–
	Long position	–	203,600 <sup>8</sup>	6.924	05/09/2006 <sup>5</sup>	–
Wang Qun	Long position	–	509,000	2.750	12/11/2003 <sup>2</sup>	0.01
Lau Pak Shing	Long position	101,800	–	–	–	0.01
Jiang Wei	Long position	840,000	203,600	2.750	12/11/2003 <sup>2</sup>	0.03
	Long position	–	366,480	3.919	18/03/2005 <sup>3</sup>	–

Name of Director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise Price (HK\$)	Date of grant	Aggregate percentage of interest <sup>6</sup> (%)
Yan Biao	Long position	–	244,320	2.750	12/11/2003 <sup>2</sup>	0.01
	Long position	–	325,760	3.919	18/03/2005 <sup>3</sup>	–
Li Fuzuo	Long position	741,780	61,080	3.919	18/03/2005 <sup>3</sup>	0.02
Du Wenmin	Long position	297,000	183,240	2.750	12/11/2003 <sup>2</sup>	0.01

*Notes:*

1. The number of share options refers to the number of underlying shares of China Resources Power Holdings Company Limited covered by the share options.
2. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 6 October, 2013. Consideration for each of the grants mentioned above is HK\$1.00.
3. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 18 March 2015. Consideration for each of the grants mentioned above is HK\$1.00.
4. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 18 November 2015. Consideration for each of the grants mentioned above is HK\$1.00.
5. Options are vested in five tranches of 20% each on each anniversary of the date of grant commencing from the first anniversary of the date of grant. All options expire on 5 September 2016. Consideration for each of the grants mentioned above is HK\$1.00.
6. This represents the percentage of the aggregate long positions in shares and underlying shares of China Resources Power Holdings Company Limited to the total issued share capital of China Resources Power Holdings Company Limited as at the Latest Practicable Date.
7. Mr. Qiao Shibo was deemed to be interested in 30,000 shares through interests of his spouse.
8. Mr. Chen Lang was deemed to be interested in 661,760 underlying shares through interests of his spouse.
9. Save as otherwise specified under notes 7 and 8, all interests disclosed above are being held by each Director in his capacity as beneficial owner.

(iv) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Microelectronics Limited:*

Name of Director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise Price (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup> (%)
Chen Lang	Long position	5,000,000	–	–	–	0.06
Lai Ni Hium	Long position	14,650,605	–	–	–	0.17
Jiang Wei	Long position	537,614	–	–	–	0.01
Li Fuzuo	Long position	918,000	–	–	–	0.01
Du Wenmin	Long position	1,458,000	–	–	–	0.02

*Notes:*

1. The number of share options refers to the number of underlying shares of China Resources Microelectronics Limited covered by the share options.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of China Resources Microelectronics Limited to the total issued share capital of China Resources Microelectronics Limited as at the Latest Practicable Date.
3. All interests disclosed above are being held by each Director in his capacity as beneficial owner.

(v) *Interests in issued ordinary shares and options outstanding under the share option schemes of an associated corporation, China Resources Cement Holdings Limited:*

Name of Director	Long position/ Short position	Number of shares	Number of share options outstanding <sup>1</sup>	Exercise Price (HK\$)	Date of grant	Aggregate percentage of interest <sup>2</sup> (%)
Lau Pak Shing	Long position	300,000	–	–	–	0.01

*Notes:*

1. The number of share options refers to the number of underlying shares of China Resources Cement Holdings Limited covered by the share options.
2. This represents the percentage of the aggregate long positions in shares and underlying shares of China Resources Cement Holdings Limited to the total issued share capital of China Resources Cement Holdings Limited as at the Latest Practicable Date.
3. The interest disclosed above is being held by Mr. Lau Pak Shing in his capacity as beneficial owner.



Save as disclosed above, as at Latest Practicable Date, none of the Directors or chief executives of the Company had any beneficial interest (including interests or short positions) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the Directors or the chief executives were taken or deemed to have taken under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers in the Listing Rules.

### 3. COMMON DIRECTORS

The following is a list of the Directors who, as at the Latest Practicable Date, were also a director of the companies which have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Common Director	Name of interested party	Long position/ Short position	Number of shares in which the interested party is deemed to have interests	Percentage of shareholding <sup>4</sup> (%)
Qiao Shibo Jiang Wei Yan Biao Chen Lang Wang Qun	China Resources National Corporation ("CRNC") <sup>1</sup>	Long position	1,232,764,380	51.46
Qiao Shibo Jiang Wei Yan Biao Chen Lang Wang Qun	China Resources Co., Limited <sup>1</sup>	Long position	1,232,764,380	51.46
Qiao Shibo Jiang Wei Yan Biao	CRC Bluesky Limited <sup>1</sup>	Long position	1,232,764,380	51.46
Qiao Shibo Jiang Wei Yan Biao Chen Lang Wang Qun	China Resources (Holdings) Company Limited ("CRH") <sup>1</sup>	Long position	1,232,764,380	51.46
Qiao Shibo Jiang Wei Yan Biao	Globe Fame Investments Limited ("Globe Fame") <sup>1</sup>	Long position	1,232,764,380	51.46

Name of Common Director	Name of interested party	Long position/ Short position	Number of shares in which the interested party is deemed to have interests	Percentage of shareholding <sup>4</sup> (%)
None	J. P. Morgan Chase & Co. <sup>2</sup>	Long position	141,876,026	5.92
None	Genesis Asset Managers, LLP <sup>3</sup>	Long position	121,675,645	5.08

*Notes:*

1. Globe Fame, a wholly-owned subsidiary of CRH, held the shares in the capacity of beneficial owner. CRH is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by China Resources Co., Limited, which is in turn held as to 99.98% by CRNC. So, CRH, CRC Bluesky Limited, China Resources Co., Limited and CRNC are deemed to have corporate interest in the shares.
2. According to the information disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, these shares were held by J.P. Morgan Chase & Co. and corporations controlled directly or indirectly as to 100% by it in the respective following capacity:

Capacity	Number of shares Long position
Beneficial owner	1,954,745
Investment manager	76,208,000
Approved lending agent	63,713,281

3. Genesis Asset Managers, LLP held the shares in the capacity of investment manager.
4. This represents the percentage of the aggregate long positions in the shares of the Company to the total issued share capital of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or, any other conflicts of interest within the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up).

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Platinum Securities Company Limited	A corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The letter and recommendation given by the Independent Financial Adviser are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had been since 31 December 2008, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Group.

## **9. MISCELLANEOUS**

The English texts of this circular shall prevail over their respective Chinese texts in case of inconsistency.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 39/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including 21 January 2010:

- (a) the memorandum and articles of association of the Company;
- (b) the Sale and Purchase Agreement dated 17 December 2009;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 in this circular; and
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 25 in this circular.