

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.

ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00330)



華潤創業有限公司

China Resources Enterprise, Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 00291)

DISCLOSEABLE TRANSACTION

**DISCLOSEABLE AND CONNECTED
TRANSACTION**

JOINT ANNOUNCEMENT

**SALE BY CHINA RESOURCES ENTERPRISE, LIMITED AND PURCHASE
BY ESPRIT HOLDINGS LIMITED OF THE REMAINING INTEREST
WHICH CHINA RESOURCES ENTERPRISE, LIMITED HOLDS IN THE
PARTIES' JOINT VENTURE IN THE PEOPLE'S REPUBLIC OF CHINA**

PRICE SENSITIVE INFORMATION

RESUMPTION OF TRADING

Financial Adviser to Esprit



Financial Adviser to CRE

**Goldman
Sachs**

THE TRANSACTION

The respective boards of directors of Esprit and CRE are pleased to announce that Esprit and CRE, on 17 December 2009, agreed that Esprit will acquire from CRE 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.

In connection with the proposed acquisition, ECDL (an indirect wholly-owned subsidiary of Esprit) and TSI (which is indirectly owned as to 51% by CRE and 49% by Esprit), amongst others, entered into a legally binding Sale and Purchase Agreement on 17 December 2009 pursuant to which, subject to certain terms and conditions, (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. Completion of the Transaction is conditional upon, amongst other things, the approval of the shareholders of CRE.

The Consideration is payable in cash in several instalments as follows: HK\$388,000,000 will be payable on the signing of the Sale and Purchase Agreement; HK\$2,992,000,000 will be payable on the Cut-off Date; and the balance of HK\$500,000,000 will be payable in tranches, contingent upon the satisfaction of certain milestones as described below. The Consideration was determined after arm's length negotiations between Esprit and CRE.

DISCLOSEABLE TRANSACTION FOR ESPRIT

As each of the applicable percentage ratios in respect of the Transaction is more than 5% but less than 25% in the case of Esprit, the Transaction constitutes a discloseable transaction for Esprit. The Transaction is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules in the case of Esprit.

DISCLOSEABLE AND CONNECTED TRANSACTION FOR CRE

Esprit is the ultimate beneficial owner of 49% of the issued share capital of TSI as at the date of this announcement. TSI is a 51% owned subsidiary of CRE. Esprit, as a substantial shareholder of TSI, is therefore a connected person of CRE. Accordingly, the signing of the Sale and Purchase Agreement, including the transactions contemplated thereby constitutes a connected transaction for CRE 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 the case of CRE.

In addition, as one or more of the relevant percentage ratios in respect of the Transaction exceeds 5% but less than 25% in the case of CRE, the Transaction also constitutes a discloseable transaction for CRE under Rule 14.08 of the Listing Rules.

As at the date of this announcement, neither Esprit nor any of its associates holds any shares in CRE. No shareholder of CRE would be required to abstain from voting were CRE to convene an extraordinary general meeting for the approval of the Sale and Purchase Agreement and transactions contemplated therein. CRE intends to obtain a written approval from Globe Fame Investments Limited, which holds 1,232,764,380 shares, representing approximately 51.46% of the entire issued share capital of CRE as at the date of this announcement, in respect of the entering into the Sale and Purchase Agreement and the transactions contemplated therein. In this regard, CRE proposes to apply to the Stock Exchange for a waiver from strict compliance with the Listing Rules to hold a general meeting for the independent shareholders' approval of CRE for the Sale and Purchase Agreement pursuant to Rule 14A.43 of the Listing Rules. Subject to the Stock Exchange's granting of the said waiver, the Sale and Purchase Agreement and the transactions contemplated thereby will be taken to have been duly approved in lieu of holding a general meeting of CRE.

A circular containing details of the Sale and Purchase Agreement, a letter from the independent board committee of CRE and a letter of advice from the independent financial adviser will be despatched to the shareholders of CRE as soon as practicable.

PRICE SENSITIVE INFORMATION AND RESUMPTION OF TRADING

Trading in the shares of Esprit and in the shares of CRE on the Stock Exchange was suspended with effect from 9:30 a.m. on 17 December 2009 at the respective request of Esprit and CRE pending the release of this announcement, the contents of which the directors of both Esprit and CRE regard as being price sensitive information for the purposes of Rule 13.09(1) of the Listing Rules so far as each company is concerned. Applications have been made to the Stock Exchange for resumption of trading in the shares of Esprit and in the shares of CRE with effect from 2:30 p.m. on 17 December 2009.

The respective boards of directors of Esprit and CRE are pleased to announce that Esprit and CRE, on 17 December 2009, agreed that Esprit will acquire from CRE 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 SALE AND PURCHASE AGREEMENT

Date

17 December 2009

Parties

Seller:	TSI
Seller Guarantor:	CRE
Purchaser:	ECDL
Purchaser Guarantor:	Esprit

CRE 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, ECDL and CRE have also agreed that ECDL’s 49% interest in TSI will be transferred to CRE 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 (the “**Second Instalment**”) on the Cut-off Date; and
- (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 of 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 Esprit and CRE with reference to price earnings multiples of listed companies in comparable businesses in the PRC and advice provided by the respective financial advisers to Esprit and CRE.

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 CRE from strict compliance with the Listing Rules to hold a general meeting for the approval of independent shareholders of CRE (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 CRE at a duly convened general meeting, to the Sale and Purchase Agreement and the transactions contemplated therein, as connected transactions of CRE in accordance with the Listing Rules (the “**CRE Shareholders’ Approval Condition**”);
- (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.

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 CRE in the Sale and Purchase Agreement or there is a material breach of the obligations of CRE 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 each of Esprit and CRE are advised to exercise caution when dealing in the shares of either company 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.

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 CRE 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.

CRE'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 CRE's 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 Esprit and CRE and reflect normal commercial terms.

The Transaction will enable Esprit to unify its interests in the PRC, gain full control of the Business, integrate its operation in the PRC into its global system and enable it to consolidate its results in the PRC into the Esprit group. The Transaction will further facilitate Esprit to continue its expansion in the PRC.

The directors of Esprit consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of Esprit and its shareholders as a whole, and to the best of their knowledge, information and belief having made all reasonable enquiries, CRE is a third party independent of Esprit and connected persons of Esprit.

As explained in CRE's 2009 interim report, CRE 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. CRE considers its current 51% indirect shareholding in TSI as non-core, given its relative size and the limited strategic fit with the CRE group's other businesses. Therefore, the directors of CRE view the Transaction as an excellent opportunity for CRE to divest its interest in the Business and re-deploy the sale proceeds from the Transaction into its core businesses. CRE has no current intention to apply any of the sale proceeds in or towards the payment of any special dividend to CRE shareholders. On Completion, the Target Group will cease to be subsidiaries of CRE.

The directors of CRE (excluding the independent non-executive directors of CRE whose views will be contained in the circular of CRE after considering the recommendation from the independent financial adviser engaged by CRE) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of CRE and its 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 CRE

CRE 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 CRE and its subsidiaries are retail, beverage, food processing and distribution, and property investments.

LISTING RULE IMPLICATIONS OF THE TRANSACTION

Discloseable Transaction for Esprit

As each of the applicable percentage ratios in respect of the Transaction is more than 5% but less than 25% in the case of Esprit, the Transaction constitutes a discloseable transaction for Esprit. The Transaction is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules in the case of Esprit.

Discloseable and Connected Transaction for CRE

Esprit is the ultimate beneficial owner of 49% of the issued share capital of TSI as at the date of this announcement. TSI is a 51% owned subsidiary of CRE. Esprit, as a substantial shareholder of TSI, is therefore a connected person of CRE. Accordingly, the signing of the Sale and Purchase Agreement, including the transactions contemplated thereby constitutes a connected transaction for CRE 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 the case of CRE.

In addition, as one or more of the relevant percentage ratios in respect of the Transaction exceeds 5% but less than 25% in the case of CRE, the Transaction also constitutes a discloseable transaction for CRE under Rule 14.08 of the Listing Rules.

As at the date of this announcement, neither Esprit nor any of its associates holds any shares in CRE. No shareholder of CRE would be required to abstain from voting were CRE to convene an extraordinary general meeting for the approval of the Sale and Purchase Agreement and transactions contemplated therein. CRE intends to obtain a written approval from Globe Fame Investments Limited, which holds 1,232,764,380 shares, representing approximately 51.46% of the entire issued share capital of CRE as at the date of this announcement, in respect of the entering into the Sale and Purchase Agreement and the transactions contemplated therein. In this regard, CRE proposes to apply to the Stock Exchange for a waiver from strict compliance with the Listing Rules to hold a general meeting for the independent shareholders’ approval of CRE for the Sale and

Purchase Agreement pursuant to Rule 14A.43 of the Listing Rules. Subject to the Stock Exchange's granting of the said waiver, the Sale and Purchase Agreement and the transactions contemplated thereby will be taken to have been duly approved in lieu of holding a general meeting of CRE.

CRE has had no prior transaction with Esprit and/or its ultimate beneficial owners that requires aggregation under Rule 14A.25 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER FOR CRE

The independent board committee of CRE has been established and will advise the shareholders of CRE independent of Esprit and its associates on the terms of the Sale and Purchase Agreement. No member of the independent board committee of CRE has any material interest in the Transaction. Platinum Securities Company Limited has been appointed as the independent financial adviser to advise the independent board committee of CRE and such independent shareholders of CRE on the fairness and reasonableness of the terms of the Sale and Purchase Agreement.

DESPATCH OF CIRCULAR BY CRE

A circular containing further details of, amongst others, (i) the terms of the Sale and Purchase Agreement; (ii) a letter from the independent board committee of CRE in respect of the Transaction; (iii) a letter of advice from the independent financial adviser to the independent board committee of CRE in respect of the Transaction will be despatched to the shareholders of CRE as soon as practicable.

PRICE SENSITIVE INFORMATION AND RESUMPTION OF TRADING

Trading in the shares of Esprit and in the shares of CRE on the Stock Exchange was suspended with effect from 9:30 a.m. on 17 December 2009 at the respective request of Esprit and CRE pending the release of this announcement, the contents of which the directors of both Esprit and CRE regard as being price sensitive information for the purposes of Rule 13.09(1) of the Listing Rules so far as each company is concerned. Applications have been made to the Stock Exchange for resumption of trading in the shares of Esprit and in the shares of CRE with effect from 2:30 p.m. on 17 December 2009.

DEFINITIONS

“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”	(a) 17 February 2010 or such earlier date as Esprit may notify TSI, provided that the CRE Shareholders' Approval Condition has been fulfilled on or before such date and Esprit has not on or before such date given notice to CRE of an event constituting a Material Adverse Change; or

- (b) a date later than 17 February 2010 as Esprit or CRE may request and agreed by the other party, provided that the CRE Shareholders' Approval Condition has been fulfilled on or before such date and Esprit has not on or before such date given notice to CRE of an event constituting a Material Adverse Change and further provided that such date shall not be later than 17 March 2010; or
- (c) (if Esprit gives notice to CRE 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 CRE Shareholders' Approval Condition has been fulfilled on or before such date

“CRE”	China Resources Enterprise, Limited
“ECDL”	Esprit China Distribution Limited
“Esprit”	Esprit Holdings Limited
“Esprit Group”	Esprit and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of 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 TSI, CRE, ECDL and Esprit
“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 CRE and as to 49% by Esprit
“TSI Group”	TSI and its subsidiaries

By Order of the Esprit Board
ESPRIT HOLDINGS LIMITED
Bella Chhoa Peck Lim
Company Secretary

By Order of the CRE Board
CHINA RESOURCES ENTERPRISE, LIMITED
Lai Ni Hium
Executive Director and Company Secretary

Hong Kong, 17 December 2009

As at the date of this announcement, the board of directors of Esprit comprises (i) Mr. Heinz Jürgen Krogner-Kornalik (Chairman), Mr. Ronald van der Vis and Mr. Chew Fook Aun as executive directors; (ii) Mr. Jürgen Alfred Rudolf Friedrich as non-executive director; and (iii) Mr. Paul Cheng Ming Fun (Deputy Chairman), Mr. Alexander Reid Hamilton, Dr. Hans-Joachim Körber, Mr Raymond Or Ching Fai and Mr. Francesco Trapani as independent non-executive directors.

As at the date of this announcement, the executive directors of CRE are Mr. Qiao Shibo (Chairman), Mr. Chen Lang (Managing Director), Mr. Wang Qun (Deputy Managing Director), Mr. Lau Pak Shing (Deputy Managing Director) and Mr. Lai Ni Hium (Deputy Managing Director). The non-executive directors are Mr. Jiang Wei, Mr. Yan Biao, Mr. Li Fuzuo, and Mr. Du Wenmin. The independent non-executive directors are Dr. Chan Po Fun, Mr. Houang Tai Ninh, Dr. Li Ka Cheung, Eric, Dr. Cheng Mo Chi, Mr. Bernard Charnwut Chan and Mr. Siu Kwing Chue, Gordon.