
LETTER FROM THE BOARD



JUNEFIELD DEPARTMENT STORE GROUP LIMITED
莊勝百貨集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 758)

Executive Directors:

Mr. Zhou Chu Jian He (*Chairman*)
Mr. Zhang Min (*Chief Executive Officer*)
Mr. Zhou Jianren
Mr. Xiang Xianhong
Mr. Lei Shuguang

Non-Executive Director:

Mr. Jorge Edgar Jose Muñiz Ziches

Independent Non-Executive Directors:

Mr. Lam Man Sum, Albert
Mr. Cao Kuangyu
Mr. Cheung Ka Wai

Registered Office:

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

*Head office and principal place of
business in Hong Kong:*

15/F, COFCO Tower,
262 Gloucester Road,
Causeway Bay,
Hong Kong

1 August 2018

To the Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CMBC SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF MACROLINK INTERNATIONAL HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
CANCEL ALL THE OUTSTANDING OPTIONS IN
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY MACROLINK INTERNATIONAL HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement issued jointly by the Offeror and the Company in relation to, among others, the Sale and Purchase Agreement and the possible Offers pursuant to Rule 3.5 of the Takeovers Code.

* For identification purposes only

LETTER FROM THE BOARD

As stated in the Joint Announcement, the Offeror entered into the Sale and Purchase Agreement with the Selling Shareholder and the Guarantor on 9 May 2018 (after trading hours) (which is supplemented and amended by the SPA Supplemental Agreement dated 31 May 2018), pursuant to which the Offeror conditionally agreed to purchase and the Selling Shareholder conditionally agreed to sell the Sale Shares, representing approximately 66.75% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a total cash consideration of HK\$433,845,522.15, equivalent to HK\$0.6217 per Sale Share.

Immediately after the Sale and Purchase Completion which took place on 26 July 2018 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in a total of 697,837,417 Shares, representing approximately 66.75% of the issued share capital of the Company. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is also required to make the Option Offer for the cancellation of all the outstanding Options pursuant to Rule 13 of the Takeovers Code.

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all non-executive Director and independent non-executive Directors, namely Mr. Jorge Edgar Jose Muñiz Ziches, Mr. Lam Man Sum, Albert, Mr. Cao Kuangyu and Mr. Cheung Ka Wai, has been established to make a recommendation to the Independent Shareholders and the Optionholders (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers. Optima Capital, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed by the Company and approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and in particular (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers.

This letter forms part of this Composite Document which sets out, among other things, the principal terms of the Offers, the information on the Offeror and the intentions of the Offeror in relation to the Group. Further details of the terms of the Offers and the procedures for accepting the Offers are set out in Appendix I to this Composite Document and in the Form(s) of Acceptance. Your attention is also drawn to the "Letter from the Independent Board Committee" and the "Letter from Optima Capital" contained in this Composite Document.

LETTER FROM THE BOARD

THE OFFERS

Principal Terms of the Offers

As mentioned in the "Letter from CMBC Securities" on pages 9 to 21 of this Composite Document, CMBC Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is unconditionally making the Share Offer to acquire all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) and the Option Offer for the cancellation of all the outstanding Options in accordance with Rule 26.1 and Rule 13 of the Takeovers Code on the following basis:

The Share Offer

For each Offer Share held **HK\$0.6217 in cash**

The Share Offer Price of HK\$0.6217 for each Offer Share is the same as the purchase price that was paid for each Sale Share by the Offeror pursuant to the Sale and Purchase Agreement.

The Share Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Share Offer is made, i.e., the date of this Composite Document.

The Option Offer

For cancellation of each outstanding Option:

Date of grant	Exercise price per Option (HK\$)	Number of new Shares to be issued upon exercise of Options by Optionholders	Offer price per Option (HK\$)
6 July 2009	0.229	13,280,000	0.3927 in cash

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 13,280,000 outstanding Options as disclosed above. The Option Offer to cancel each Option will be calculated on a see-through basis pursuant to Rule 13 and Practice Note 6 of the Takeovers Code, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options with details as set out above.

As at the Latest Practicable Date, there are 1,045,399,967 Shares in issue and 13,280,000 outstanding Options. Save as disclosed above, as at the Latest Practicable Date, there are no other outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The procedures for acceptance and further details of the Offers are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

Total Consideration for the Offers

As at the Latest Practicable Date, there are 1,045,399,967 Shares in issue. Assuming that there is no change in the issued share capital of the Company and none of the outstanding Options is exercised prior to the making of the Offers and on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$649,925,159.

Assuming that all the 13,280,000 outstanding Options are fully exercised prior to the making of the Offers, there will be 1,058,679,967 Shares in issue and, on the basis of the Share Offer Price at HK\$0.6217 per Share, the entire issued share capital of the Company is valued at approximately HK\$658,181,335.

On the basis that the Offeror and parties acting in concert with it own 697,837,417 Shares immediately after the Sale and Purchase Completion, (i) assuming no Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$221,294,693, and (ii) assuming all Options are exercised and full acceptances under the Offers, the total consideration of the Offers would be approximately HK\$224,335,813.

Comparisons of value

The Share Offer Price of HK\$0.6217 represents:

- (a) a premium of approximately 139.12% over the closing price of the Shares of HK\$0.260 per Share as quoted on the Stock Exchange on the last Trading Day prior to the suspension of trading in the Shares pending the publication of the Memorandum Announcement;

LETTER FROM THE BOARD

- (b) a discount of approximately 21.30% to the closing price of the Shares of HK\$0.790 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 26.16% to the average closing price of the Shares of approximately HK\$0.842 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (d) a premium of approximately 169.13% over the audited net asset value attributable to equity holders of the Company as at 31 December 2017 of approximately HK\$0.231 per Share based on 1,045,399,967 Shares in issue as at the Latest Practicable Date; and
- (e) a discount of approximately 7.21% to the closing price of the Shares of HK\$0.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share price

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.49 on 18 April 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.206 on 13 February 2018.

Further information of the Offers

Please refer to the “Letter from CMBC Securities” and Appendix I contained in this Composite Document for further information in relation to the Offers, including the confirmation of financial resources available for the Offers, payment, effect of accepting the Offers, Overseas Shareholders, and Hong Kong stamp duty.

INFORMATION ON THE GROUP

The Company

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange (Stock code: 758). The Group is principally engaged in the businesses of property investment and development, the manufacture and sale of construction materials, securities investments, trading of mineral concentrates and coal mining.

The following table sets out a summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2015, 2016 and 2017, as extracted from the annual reports of the Company for the years ended 31 December 2015, 2016 and 2017.

LETTER FROM THE BOARD

The Group did not have any items which were exceptional because of size, nature or incidence for each of the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
CONTINUING OPERATIONS			
Revenue	<u>36,275</u>	<u>154,401</u>	<u>298,688</u>
Loss before income tax from continuing operations	(63,891)	(51,881)	(73,764)
Income tax credit/(expense)	<u>1,029</u>	<u>2,195</u>	<u>(201)</u>
Loss for the year from continuing operations	(62,862)	(49,686)	(73,965)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	<u>—</u>	<u>(1,953)</u>	<u>(1,897)</u>
Loss for the year	<u>(62,862)</u>	<u>(51,639)</u>	<u>(75,862)</u>
Attributable to:			
Owners of the Company	(44,895)	(36,495)	(69,434)
Non-controlling interests	<u>(17,967)</u>	<u>(15,144)</u>	<u>(6,428)</u>
	<u>(62,862)</u>	<u>(51,639)</u>	<u>(75,862)</u>
Loss per Share attributable to owners of the Company			
Basic and diluted (<i>HK cents per share</i>)			
For loss for the year	<u>(4.29)</u>	<u>(3.50)</u>	<u>(6.78)</u>
For loss from continuing operations	<u>(4.29)</u>	<u>(3.27)</u>	<u>(6.53)</u>

Details of the financial information of the Company are set out in Appendix II to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Sale and Purchase Completion; (ii) immediately after Sale and Purchase Completion and as at the Latest Practicable Date; and (iii) immediately after Sale and Purchase Completion but before close of the Offers (assuming all Options have been exercised at or prior to close of the Offers):

	(i) Immediately prior to Sale and Purchase Completion		(ii) Immediately after Sale and Purchase Completion and as at the Latest Practicable Date		(iii) Immediately after Sale and Purchase Completion but before close of the Offers (assuming all Options have been exercised at or prior to close of the Offers)	
	Approximately		Approximately		Approximately	
	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue	Number of Shares held	% of Shares in issue
Selling Shareholder	697,837,417	66.75%	-	-	-	-
Offeror and parties acting in concert with it	-	-	697,837,417	66.75%	697,837,417	65.92%
Optionholders (Note 1)	-	-	-	-	13,280,000	1.25%
Other Shareholders	347,562,550	33.25%	347,562,550	33.25%	347,562,550	32.83%
Total	1,045,399,967	100.00%	1,045,399,967	100.00%	1,058,679,967	100.00%

Notes:

1. Upon full exercise of the Options, 13,280,000 new Shares will be issued to certain Directors.
2. The above shareholding table has not taken into account the acceptances of the Offers.

FUTURE INTENTION REGARDING THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror”, “Intention of the Offeror on the remaining Group” and “Proposed changes to the composition of the Board” in the “Letter from CMBC Securities” as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group, in summary, the intention to nominate new Directors into the Board (the proposed appointment of which will take effect from a date which is no earlier than such date as permitted for appointment of Directors under Rule 26.4 of the Takeovers Code (that is, with effect from immediately after posting of this Composite Document), and to continue to focus on the development of the Group’s existing businesses, and not to introduce any major changes to the existing operations and business of the Company, dispose of any existing business of the Group or acquire any business or assets immediately after the Sale and Purchase Completion and the close of the Offers, but to conduct a detailed review of the operations and business activities of the Group and formulate business strategies for the Group’s long term development and to explore other business opportunities for the Group, including the feasibility of diversifying the income stream of the Group by exploring business and investment opportunities in different business areas which will be appropriate in order to enhance its growth, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

Pursuant to the Listing Rules, if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

As disclosed in the "Letter from CMBC Securities", the Board noted the Offeror's intention to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offers. The directors of the Offeror, and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

ADVICE AND RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" set out in this Composite Document which contains the recommendation of the Independent Board Committee in respect of the Offers. Your attention is also drawn to the "Letter from Optima Capital" set out in this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors and reasons it has considered before arriving at its advice.

Taking into account the terms of the Offers and the advice from the Independent Board Committee, and the principal factors and reasons taken into account in arriving at its recommendations, the Board (excluding the members of the Independent Board Committee whose opinions have been set forth in the "Letter from the Independent Board Committee" of this Composite Document after having been advised by Optima Capital in this regard) considers that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned.

Accordingly, the Board (excluding the members of the Independent Board Committee whose opinions have been set forth in the "Letter from the Independent Board Committee" of this Composite Document after having been advised by Optima Capital in this regard) recommends the Independent Shareholders and the Optionholders to accept the Offers.

The Independent Shareholders and the Optionholders are urged to read those letters carefully before taking any action in respect of the Offers.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to, and which forms part of, this Composite Document. You are also recommended to read carefully this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offers.

Yours faithfully,

By order of the Board

JUNEFIELD DEPARTMENT STORE GROUP LIMITED

Zhang Min

Chief Executive Officer & Executive Director

A handwritten signature in black ink, appearing to be 'Zhang Min', with a small upward-pointing arrow at the end of the signature.