

**JUNEFIELD DEPARTMENT STORE GROUP LTD:  
WILL THERE SOON BE A CHANGE OF OWNERSHIP ?**

Chairman Accused Of Defaulting On Obligations

An up-and-coming, political figure in the People's Republic of China (PRC) appears to have shot himself in the foot: He is unlikely to be able to recover for some time, if at all.

He is Mr Zhou Chu Jian He 周建和, a Deputy in good standing of the Beijing Committee of the People's Political Consultative Conference (中國人民政治協商會議北京委員會), which is a committee of the highest, law-making body in the PRC – the National People's Congress (NPC).

But Deputy Zhou Chu Jian He is in desperate financial trouble, to be sure, with his bankers, breathing down his neck, demanding to be repaid, yesterday.

Deputy Zhou Chu Jian He is 42 years old and holds, among other titles, the Chairmanship of publicly listed Junefield Department Store Group Ltd (Code: 758, Main Board, The Stock Exchange of Hongkong Ltd).

And that department-store operator is far from being financially healthy, too, although, for the first half of the Financial Year, ended June 30, 2004, this publicly listed company was able to turn in a Net Profit Attributable to Shareholders of about \$HK24.27 million on a Turnover of about \$HK15.04 million.

However, that much-improved Bottom Line (in the corresponding 2003, 6-month period, the company suffered a Loss Attributable to Shareholders of about \$HK7.53 million) was not all that it was cracked up to be on first viewing.

The Net Profit was explained by Management of the company in the following manner:

*'The main improvements compared to last corresponding period come from the absence of arrangement fee of \$HK14 million for debt settlement agreement and a revaluation surplus of HK\$16 million sustained during the period.'*

Meanwhile, Junefield's property investment subsidiary at Wuhan, the PRC, proper, as opposed to the Hongkong Special Administrative Region (HKSAR) of the PRC, continues to struggle, with most of the leases, having lapsed and not having been renewed and with the Wuhan Department Store Group Company Ltd, suffering losses.

While this HKSAR publicly listed company continues to struggle and is only just managing to stay out of very serious financial trouble (Total Assets: \$HK405 million; Total Liabilities: \$HK379 million), Deputy Zhou Chu Jian He appears not be as lucky as the publicly listed company that he controls.

What appears to have happened, according to TARGET's investigations, is that ICEA Finance Holdings Ltd, which is 75 percent owned by the mighty PRC bank, Industrial and Commercial Bank of China, a PRC, State-owned entity, lent to Deputy Zhou Chu Jian He a sufficient amount of money to permit him to take control of Hudson Holdings Ltd, the old name of Junefield Department Store Group Ltd.

Deputy Zhou Chu Jian He, using his investment company, Prime Century Investments Ltd, made a General Offer at 10 cents per share for all of the shares of Hudson Holdings, excluding those shares, which he, then, controlled, on September 16, 2003.

Documents in the possession of TARGET suggest, strongly, that ICEA was the Deputy Zhou Chu Jian He's 'banker' in this takeover campaign, but this subsidiary of Industrial and Commercial Bank of China extracted more than just a pound of flesh from this would-be, fledgling politician of Beijing.

On October 2, 2003, which was about 16 days after the General Offer was made by Prime Century for all of the shares of Hudson Holdings, not, then, owned by Deputy Zhou Chu Jian He, directly or indirectly, that investment company executed a Charge under which 209,086,500 shares in the Issued and Fully Paid-Up Share Capital of Hudson Holdings were charged in favour of ICEA Financial Services Ltd as security for the performance of the obligations of Prime Century with ICEA Financial Services under an existing loan agreement, dated October 2, 2003.

That number of shares, 209,086,500 shares, represented about 58.37 percent of the Issued and Fully Paid-Up Share Capital of Hudson Holdings and about 97 percent of the total number of shares, then legally owned by ...

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