

**CIRCULAR DATED 5 JULY 2011**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

This Circular (as defined herein) is issued by The Style Merchants Limited (the “**Company**”). If you are in any doubt about its contents or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular, the Notice of Special General Meeting and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle granted by the SGX-ST for the listing of and quotation for the New Shares (as defined herein) on the Official List of the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, the Plan (as defined herein) or the New Shares.



**THE STYLE MERCHANTS LIMITED**

*(Company Registration No. 27671)  
(Incorporated in Bermuda on 24 January 2000)*

**CIRCULAR TO SHAREHOLDERS IN RELATION TO  
THE PROPOSED ADOPTION OF THE STYLE MERCHANTS  
PERFORMANCE SHARE PLAN**

**IMPORTANT DATES AND TIMES:**

- Last date and time for lodgement of Proxy Form : 27 July 2011 at 11:00 a.m.
- Date and time of Special General Meeting : 29 July 2011 at 11:00 a.m. or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place
- Venue of Special General Meeting : Stamford Room  
Maxwell Chambers  
32 Maxwell Road, #03-01  
Singapore 069115

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## DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

<b>“Act” or “Companies Act”</b>	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
<b>“Associate”</b>	(a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30 per cent. or more; and</li></ul> (b) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30 per cent. or more
<b>“Auditors”</b>	The auditors of the Company for the time being
<b>“Award”</b>	A contingent award of Shares granted pursuant to the rules of the Plan
<b>“Award Date”</b>	In relation to an Award, the date on which the Award is granted pursuant to the rules of the Plan
<b>“Award Letter”</b>	A letter in such form as the Committee shall approve, confirming an Award granted to a Participant by the Committee
<b>“Bermuda Companies Act”</b>	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
<b>“Board”</b>	The board of Directors of the Company for the time being
<b>“Bye-Laws”</b>	The bye-laws of the Company, as amended, modified or supplemented from time to time
<b>“CDP”</b>	The Central Depository (Pte) Limited
<b>“Circular”</b>	This circular to Shareholders dated 5 July 2011
<b>“Code”</b>	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time

<b>“Committee”</b>	The Compensation Committee of the Company whose members for the time being are Mr John Lim Yew Kong, Mr Daniel Wong Chu Kee and Mr Stuart Pang Seng Tuong as duly authorised and appointed by the Board to administer the Plan from time to time
<b>“Company”</b>	The Style Merchants Limited, a company incorporated in Bermuda
<b>“Controlling Shareholder”</b>	A person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued Shares excluding treasury shares (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or</li> <li>(b) in fact exercises control over the Company</li> </ul>
<b>“CPF”</b>	Central Provident Fund
<b>“Directors”</b>	The directors of the Company, including alternate directors of the Company (if any), as at the date of this Circular
<b>“EPS”</b>	Earnings per Share
<b>“FY”</b>	The financial year ended 31 March
<b>“Group”</b>	The Company and its subsidiaries
<b>“Group Employee”</b>	Any confirmed employee of the Group selected by the Committee to participate in the Plan in accordance with the rules thereof
<b>“Group Executive Director”</b>	A director of the Company and/or its subsidiaries (excluding Directors who are Controlling Shareholders and Directors who are Associates of Controlling Shareholders), as the case may be, who performs an executive function
<b>“Group Non-Executive Director”</b>	A director of the Company and/or its subsidiaries (excluding Directors who are Controlling Shareholders and Directors who are Associates of Controlling Shareholders), as the case may be, other than a Group Executive Director but including an Independent Director
<b>“Independent Director”</b>	An independent director of the Company who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment in the best interests of the Company
<b>“Independent Shareholders”</b>	Shareholders other than Shareholders who are Participants and Shareholders who are Associates of the Participants
<b>“Latest Practicable Date”</b>	1 July 2011, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
<b>“Main Board”</b>	The SGX-ST Main Board

<b>“Market Day”</b>	A day on which the SGX-ST is open for trading in securities
<b>“Memorandum”</b>	The memorandum of association of the Company, as amended, modified or supplemented from time to time
<b>“New Shares”</b>	The new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards under the Plan
<b>“Notice of SGM”</b>	The notice of the SGM set out on pages 31 and 32 of this Circular
<b>“NTA”</b>	Net tangible assets
<b>“Offer Date”</b>	The date on which an offer to grant an Award is made
<b>“Participant”</b>	A Group Employee, a Group Executive Director or a Group Non-Executive Director who has been granted an Award pursuant to the Plan
<b>“Performance Period”</b>	The performance period during which the Performance Targets shall be satisfied
<b>“Performance Target”</b>	The performance target as may be prescribed by the Committee to be fulfilled by a Participant for any particular period under the Plan
<b>“Plan” or “The Style Merchants Performance Share Plan”</b>	The proposed performance share plan to be adopted by the Company
<b>“Proxy Form”</b>	The proxy form in respect of the SGM as set out in this Circular
<b>“Record Date”</b>	In relation to any dividends, rights allotment or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
<b>“Release Date”</b>	The date on which the Shares under an Award are released to the Participant
<b>“SGM” or “Special General Meeting”</b>	The special general meeting of the Company to be held at Stamford Room, Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on 29 July 2011 at 11:00 a.m. (or as soon as the conclusion or the adjournment of the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place), notice of which is set out on pages 31 and 32 of this Circular
<b>“SGX-ST”</b>	Singapore Exchange Securities Trading Limited
<b>“Shares”</b>	Ordinary shares in the capital of the Company
<b>“Shareholders”</b>	Registered holders of Shares, except where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register

**“Substantial Shareholder”** A person who has an interest or interests in one or more voting Shares in the Company and the total votes attached to that Share, or those Shares, is not less than 5 per cent. (%) of the total votes attached to all the voting Shares of the Company

**“%” or “per cent.”** Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Act.

The term **“subsidiary”** and **“related companies”** shall have the meaning ascribed to it by Section 5 and Section 6 of the Act respectively.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing one gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

Any reference to a time or day in this Circular is made by reference to Singapore time and date unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any words defined under the Act, the Bermuda Companies Act, the Listing Manual or any modification thereof, and used in this Circular shall, unless the context otherwise requires, have the meaning assigned to them respectively under the Act, the Bermuda Companies Act, the Listing Manual or such modification thereof, as the case may be.

Any discrepancies in figures included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

## LETTER TO SHAREHOLDERS

### THE STYLE MERCHANTS LIMITED

(Incorporated in Bermuda on 24 January 2000)  
(Company Registration No. 27671)

#### Directors:

Michael Ng Lai Yick (Executive Chairman)  
Samuel Lin Jr. (Executive Deputy Chairman)  
Daniel Wong Chu Kee (Independent Non-Executive Director)  
John Lim Yew Kong (Independent Non-Executive Director)  
Stuart Pang Seng Tuong (Independent Non-Executive Director)  
Flora Zeta Pavlova Cheong-Leen (Independent Non-Executive Director)

#### Registered Office:

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### Business Office:

Unit 2602-6, 26/F  
Prosperity Millennia Plaza  
663 King's Road  
North Point, Hong Kong

5 July 2011

To: **The Shareholders of The Style Merchants Limited**

Dear Sir/Madam

#### THE PROPOSED ADOPTION OF THE STYLE MERCHANTS PERFORMANCE SHARE PLAN

##### 1. INTRODUCTION

###### 1.1 SGM

The Directors propose to convene the SGM to be held on 29 July 2011 to seek Shareholders' approval in respect of the proposed adoption of The Style Merchants Performance Share Plan.

###### 1.2 Circular

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with, *inter alia*, the relevant information pertaining to, and to seek Shareholders' approval of, the proposed adoption of The Style Merchants Performance Share Plan at the SGM.

The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Circular.

###### 1.3 Approval in-principle

The SGX-ST has on 4 July 2011 granted its in-principle approval for the listing of and quotation for the New Shares to be allotted and issued pursuant to the Plan, subject to:

- (a) the Company's compliance with the SGX-ST's listing requirements and guidelines; and
- (b) Independent Shareholders' approval for the Proposed Plan at the SGM to be convened.

The SGX-ST's approval in-principle is not to be taken as an indication of the merits of the Plan, the New Shares, the Company and/or its subsidiaries.

## 2. THE STYLE MERCHANTS PERFORMANCE SHARE PLAN

The Company is proposing to implement a new performance share plan to be named “The Style Merchants Performance Share Plan”.

### 2.1 Rules of the Plan

The rules of the Plan in its entirety are set out in Appendix A to this Circular, and a summary of the rules is set out in Section 2.4 below.

### 2.2 The existing Style Merchants Employee Share Option Scheme

Currently, the Company has in place an existing employee share option scheme which was adopted on 30 July 2010 (the “**Style Merchants Employee Share Option Scheme 2010**” or the “**Scheme**”). The Scheme recognises the fact that the services of the Group Employees (including the Group Executive Directors) and Group Non-Executive Directors are important to the success and development of the Group.

At the same time, it will give such persons an opportunity to have a direct interest in the Company and will also help to achieve the following positive objectives:

- (a) to recognize and reward past contributions and services of the participants of the Scheme (the “**Scheme Participants**”);
- (b) to motivate each Scheme Participant to optimize his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (c) to retain Scheme Participants whose contributions are important to the long-term growth and profitability of the Group;
- (d) to instill loyalty to, and a stronger identification by the Scheme Participants with the long-term development and growth of the Company;
- (e) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (f) to align the interests of the Scheme Participants with the interests of the Shareholders.

As at the Latest Practicable Date, there are no outstanding options exercisable arising from the Scheme.

Prior to the Scheme, the Company had a share option scheme, Scheme 2000, which was approved and adopted by the Shareholders at a SGM held on 24 May 2000. Scheme 2000 had expired on 23 May 2010.

As at the Latest Practicable Date, there are outstanding and unexercised options (the “**Share Options**”) granted to participants under the Scheme 2000 to subscribe for up to an aggregate of 2,205,000 Shares, representing approximately 0.25 per cent. of the issued Shares of the Company as at the Latest Practicable Date.

Details of the outstanding Share Options as at the Latest Practicable Date are as follows:

Date of Grant	Exercise Period	Exercise Price (US\$)	Number of Shares comprised in the Share Options	Number of Participants
18 September 2001	9 years	0.8	190,000	5
18 September 2001	8 years	0.7	190,000	5
31 March 2003	9 years	0.3	775,000	4
3 July 2003	9 years	0.4	200,000	2
27 June 2007	9 years	0.1	850,000	4



No options under Scheme 2000 has been granted to the Controlling Shareholders and their Associates. Although Scheme 2000 has expired, the terms of Scheme 2000 will continue to apply to the options that have been granted by the Company pursuant to Scheme 2000.

### 2.3 Rationale for the Plan

The Company has undertaken a comprehensive review of employee remuneration and benefits and wishes to introduce the Plan to complement the Scheme, in line with the Company's continuing efforts to increase the Company's flexibility and effectiveness in rewarding, retaining and motivating employees to improve their performance.

The Directors believe that the new Plan will help to achieve the following positive objectives:

- (a) to incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company by introducing a variable component in their remuneration package;
- (b) to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group's long-term prosperity;
- (c) to attract potential employees with relevant skills to contribute to the Group; and
- (d) to foster an ownership culture within the Group and to inculcate in all Participants a stronger and more lasting sense of identification with the Group.

Unlike the Scheme, the Plan allows the Company to target specific performance objectives and to provide an incentive for Participants to achieve these targets, which ultimately, will create and enhance economic value for Shareholders.

The Plan uses methods fairly common among major local and multinational companies to incentivise and motivate key senior management and executives to achieve pre-determined targets. The Company believes that the Plan will be an effective tool in motivating key senior management and executives to strive to deliver long-term shareholder value and attracting potential employees with relevant skills to contribute to the Group.

Additionally, the Plan gives the Company greater flexibility to align the interests of its employees, especially key directors and executives, with those of Shareholders. The Plan contemplates the award of fully-paid Shares free of charge to Participants after Performance Targets have been met. As such, the Plan is mainly targeted at key employees who are in the best position to drive the growth of the Company through superior performance. The Company believes that with the Plan in place, it will be more effective than merely having pure cash bonuses to motivate Participants to work towards determined goals.

Accordingly, the Company believes that the implementation of the Plan in addition to the Scheme will serve to strengthen the overall effectiveness of the Group's performance-based compensation schemes.

As seen from the above, the overriding objective of both the Scheme and the Plan is to motivate, reward and retain the directors and employees of the Group. The Scheme is intended to apply to a broader base of employees whereas the Plan is intended to apply to a select group of key staff as the Company deems suitable. The implementation of the two different share-based schemes will provide the Company with the flexibility in granting suitable share-based incentives according to the suitability of the candidates as well as to design compensation packages which are relevant and attractive taking into account the circumstances of the candidates and the Group. This will further strengthen the Company's competitiveness in attracting and retaining key talents and employees.

## 2.4 Summary of the rules of the Plan

### 2.4.1 Eligibility of Participants

Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Plan:

- (a) Group Employees;
- (b) Group Executive Directors; and
- (c) Group Non-Executive Directors.

**provided that**, as of the Offer Date, such persons have attained the age of twenty-one (21) years, are not undischarged bankrupts and have not entered into any composition(s) with their respective creditors.

Accordingly, directors and employees of the Company and the Company's subsidiaries (but not associated companies) who have contributed to the success and development of the Group shall be eligible to participate in the Plan. Controlling Shareholders and their Associates will not be eligible to participate in the Plan.

There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented or to be implemented by the Company or another company within the Group.

### 2.4.2 Entitlement of Participants

The Awards under the Plan allow a Participant to receive fully-paid Shares free of consideration upon the Participant achieving the Performance Target as are prescribed by the Committee at its absolute discretion.

Subject to limitations under the rules of the Plan, the number of Shares which are the subject of an Award to be granted to each Participant shall be determined by the Committee at its absolute discretion, taking into consideration, where applicable, factors such as his rank, past performance, length of service, contribution to the success and development of the Group, potential for future development and prevailing market and economic conditions, as well as the extent of effort required to achieve the Performance Target within the Performance Period.

### 2.4.3 Details of Awards

The Committee shall, in its absolute discretion, determine in relation to each Award to be granted to a Participant:

- (a) the date on which the Award will be granted;
- (b) the number of Shares which are the subject of the Award;
- (c) the Performance Target for the Participant which shall be set according to the specific roles of each Participant, and which may differ from Participant to Participant;
- (d) the Performance Period for the Participant;
- (e) the extent to which the prescribed Performance Target has been satisfied (whether fully or partially) or been exceeded, as the case may be, and the extent to which the Shares, which are the subject of that Award, shall be released at the end of the Performance Period on satisfaction of the prescribed Performance Target;
- (f) the vesting schedule (if any), pursuant to which an Award shall vest at the end of each Performance Period, provided the Performance Target for the period has been achieved; and

- (g) any other condition which the Committee may determine in relation to that Award.

The Committee has the discretion to determine whether the Performance Target(s) have been satisfied (whether fully or partially) or exceeded, and in making such determination, the Committee shall have the right to make reference to the audited results of the Company, or to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the Performance Target(s) if the Committee decides that a changed performance target would be a fairer measure of performance.

The basis used by the Committee in setting particular Performance Targets may include factors such as (i) the Company's and the Group's business goals and directions for each financial year; (ii) the Participant's actual job scope and responsibilities; and (iii) the prevailing market and economic conditions.

Upon its decision to grant the Award, the Committee shall as soon as practicable send to the Participant an Award Letter confirming such Award and specifying the above.

Awards are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of the former), charged, assigned, pledged or otherwise disposed of, unless with the prior approval of the Committee.

The Bye-Laws of the Company do not expressly permit the Company to hold any treasury shares and accordingly, the Company shall only issue new Shares to satisfy Awards.

#### **2.4.4 Vesting of Awards**

Awards may only be vested, and consequently any Shares comprised in such Award shall only be delivered, upon the Committee being satisfied, at its absolute discretion, that the Participant has achieved the Performance Target, performance conditions, service conditions and/or such other conditions such as vesting period(s) or vesting schedules applicable for the release of the Award and/or all or any of the Shares or cash equivalent or both to which that Award relates, and/or upon the Committee being satisfied that due recognition should be given for good work performance and/or significant contribution to the Company.

Notwithstanding that a Participant may have met his Performance Target, no Award shall be vested in the event of:

- (a) the decision of the Committee, in its absolute discretion, to revoke or annul such Award;
- (b) the cessation of employment of a Participant;
- (c) the bankruptcy of a Participant;
- (d) the misconduct of a Participant; or
- (e) a take-over, winding-up or reconstruction of the Company.

In general, upon the cessation of employment of a Participant specified in section 2.4.4(b), an Award then held by such Participant shall immediately lapse without any claim whatsoever against the Company and/or the Group.

If the cessation is due to certain specified reasons (for example, ill health, injury or disability or redundancy or retirement or death), the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Award or to preserve all or part of any Award until the end of the relevant vesting period. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of any of the events specified in sections 2.4.4(a), (c) and (d), an Award then held by a Participant shall immediately lapse without any claim whatsoever against the Company and/or the Group.

Upon the occurrence of any of the events specified in section 2.4.4(e), the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant.

#### **2.4.5 Size and Duration of Plan**

The aggregate number of Shares which may be issued pursuant to Awards granted under the Plan on any date, when added to the number of new Shares issued and/or issuable in respect of all Awards granted under the Plan, the Scheme and any other share scheme which the Company may implement from time to time, will not exceed fifteen per cent. (15%) of the total issued Shares in the capital of the Company on the day preceding the Award Date.

In accordance with Rule 845 of the Listing Manual, the following limits must not be exceeded:-

- (a) The aggregate number of new Shares issued and/or issuable in respect of all Awards granted under the Plan, the Scheme and all other share schemes which the Company may implement from time to time, must not exceed fifteen per cent. (15%) of the total number of issued Shares from time to time;
- (b) The aggregate number of Shares available to Controlling Shareholders and their Associates must not exceed twenty five per cent. (25%) of the New Shares available under the Plan;
- (c) The number of Shares available to each Controlling Shareholder or his Associate must not exceed ten per cent. (10%) of the New Shares available under the Plan; and
- (d) The aggregate number of Shares available to directors and employees of the Company's parent company and its subsidiaries must not exceed twenty per cent. (20%) of the New Shares available under the Plan.

The Bye-Laws of the Company do not expressly permit the Company to hold any treasury shares. The Company intends to utilise the respective general share issue mandates to be approved by shareholders of the Company at each annual general meeting to deliver Shares pursuant to Awards under the Plan. Accordingly, the Shares pursuant to the Awards shall be issued out of the general mandates to issue shares that the Company shall obtain from Shareholders at the respective Annual General Meetings of the Company from time to time.

The Directors believe that the size of the Plan is reasonable, taking into account the nature of the business in the industry, the contributions of the Participants, and the share capital. The Directors believe that the size of the Plan will give the Company sufficient flexibility to decide the number of Shares to be awarded under the Plan.

However, this does not indicate that the Committee will definitely issue Shares up to the prescribed limit. The Committee will exercise its discretion in deciding the number of Shares to be awarded to each Participant under the Plan. This, in turn, will depend on and be commensurate with the performance and value of the Participant to the Group.

The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Plan is adopted by Shareholders in a general meeting, provided that the Plan may continue beyond the aforesaid period of time with the approval of Shareholders in a general meeting and of any relevant authority which may then be required.

#### 2.4.6 **Operation of the Plan**

Subject to prevailing legislation and the Listing Manual, the Company, in its sole and absolute discretion, will deliver Shares to Participants upon vesting of their Awards by way of an issue and allotment of new Shares.

The financial effects of the above methods are discussed in section 4 below. New Shares allotted and issued on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant date of issue and shall in all other respects rank *pari passu* with other existing Shares then in issue.

Subject to sections 2.4.1 and 2.4.5, the number of Shares which are the subject of each Award to be granted to a Participant under the Plan shall be determined at the absolute discretion of the Committee, which may take into consideration, where applicable, factors such as the Participant's rank, past performance, length of service, contribution to the success and development of the Group, potential for future development of the Participant and the prevailing market and economic conditions.

#### 2.5 **Variation of capital**

If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or issues for cash or for shares or otherwise howsoever) shall take place, then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or

(b) the class and/or number of Shares over which future Awards may be granted under the Plan,

may at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate provided that any such adjustment shall be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.

Unless the Committee considers an adjustment to be appropriate:

(a) the issue of securities as consideration for an acquisition or a private placement of securities;

(b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; or

(c) any increase in the issued share capital of the Company as a consequence of the delivery of Shares pursuant to the vesting of Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment. Any issue of securities by the Company as a consequence of the exercise of conversion rights/subsidiary rights in the Company's loan stock or warrants and any other securities convertible into Shares (including the vesting of any Awards granted under the Plan) will also not be regarded as a circumstance requiring adjustment.

Upon any adjustment required to be made, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.

Notwithstanding the above:

- (a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and
- (b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

## 2.6 Modifications or alterations to the Plan

Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) any modification or alteration which would be to the advantage of the holders of the Awards shall be subject to the prior approval of Shareholders in a general meeting; and
- (b) no modification or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

The Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) modify or alter the rules or provisions of the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

Written notice of any modification or alteration made shall be given to all Participants.

## 2.7 Disclosures in Annual Report

Disclosures shall be made by the Company in its annual report as long as the Plan continues in operation as required by the Listing Manual and including the following:

- (a) The names of the members of the Committee administering the Plan;
- (b) The aggregate number of Shares granted and transferred since the commencement of the Plan and during the financial year under review;
- (c) The aggregate number of Shares comprised in Awards which have vested during the financial year under review and in respect of such Awards, the proportion of existing Shares purchased, including the range of prices at which such Shares have been purchased, upon the release of the vested Awards;
- (d) The aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review;
- (e) In respect of the following Participants:
  - (i) Participants who are Directors of the Company;
  - (ii) Participants who are Controlling Shareholders and their Associates of the Company;

- (iii) Participants other than those in sections 2.7(e)(i) and 2.7(e)(ii) above, who have been granted Options under the Scheme and/or who have received Shares pursuant to Awards granted under the Plan which, in aggregate represent five per cent. (5%) or more of the total number of Shares available under the Scheme and the total number of Shares issued and allotted in respect of Awards released under the Plan, the following information must be disclosed:
  - (aa) names of each participant;
  - (bb) the following particulars relating to Awards released under the Plan:
    - (i) number of Shares granted during the financial year under review (including the terms);
    - (ii) aggregate number of Shares granted since the commencement of the Plan to the end of the financial year under review;
    - (iii) aggregate number of Shares which have vested since the commencement of the Plan to the end of the financial year under review;
    - (iv) aggregate number of Shares outstanding as at the end of the financial year under review; and
    - (v) such other information as may be required by the Listing Manual, the Bermuda Companies Act and/or the Companies Act.
- (f) an appropriate statement that none of the Controlling Shareholders and their Associates had received Shares issued pursuant to the Plan during the financial year under review; and
- (g) such other information as may be required by the Listing Manual, the Act and/or the Bermuda Companies Act.

### 3. **ROLE AND COMPOSITION OF THE COMMITTEE**

The Compensation Committee of the Company, whose primary function is to assist the Directors in reviewing remuneration matters, is the designated Committee responsible for administering the Plan.

The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Plan) for the implementation and administration of the Plan as they think fit including, but not limited to:

- (a) imposing restrictions on the number of Awards that may be vested within each FY; and
- (b) amending Performance Targets if, by so doing, it would be a fairer measure of performance for a Participant or for the Plan as a whole.

Any decision of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final and binding, including but not limited to any decision pertaining to the number of Shares to be vested, or to disputes as to the interpretation of the Plan or any rule, regulation, procedure thereunder or as to any right under the Plan.

In compliance with the requirements of the Listing Manual, a Participant of the Plan, who is a member of the compensation committee, shall not be involved in its deliberations in respect of the Awards to be granted to or held by that member of the Compensation Committee.

#### 4. FINANCIAL EFFECTS OF THE PLAN

The following sets out the financial effects of the Plan:

##### (a) Cost of Award

As the Participants are not required to pay for the grant of the Awards, such grant of Awards will have a financial effect on the Company.

The International Financial Reporting Standard 2 (“IFRS 2”) “Share-based Payments” issued by the International Accounting Standards Board, which is effective for the financial periods beginning on or after 1 January 2005, requires the recognition of an expense into the income statement, with a corresponding adjustment to equity, in respect of the fair value of the employee services received in exchange for the grant of the Awards. The expense will be based on the fair value of the Awards at the date of the grant and will be recognised over the expected vesting period. At each balance sheet date, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions.

In accordance with IFRS 2, the Company shall account for the grant of Awards during the vesting period, with a corresponding increase in equity. As per IFRS 2, on a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition. Also, as per IFRS 2, the Company shall recognise an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary. Therefore, the grant of Awards is recognised in the Profit or Loss over the expected vesting period. If an employee leaves before the end of vesting period, the Company should revise the estimated number of equity instruments expected to vest.

##### (b) Share Capital

The Plan will result in an increase in the Company’s issued share capital only if New Shares are issued to the Participants. The number of New Shares issued will depend on, *inter alia*, the size of the Awards granted under the Plan.

##### (c) NTA

As described in section 4(d) below on EPS, the Plan will result in a change to the Company’s profit and loss account equal to the market value at which the New Shares are issued to meet delivery under the Awards. If New Shares are issued under the Plan, there will be no effect on the NTA of the Company.

Although the Plan will result in a charge to the profit and loss account of the Company, it should be noted that Awards are granted only on a selective basis and will be granted to the Participants whom the Company believes would have contributed or will contribute significant value in its success including financial performance. In particular, the grant of Awards and delivery of Shares to the Participants are contingent upon the Participants meeting prescribed Performance Targets and conditions. Therefore, the Participants would have contributed to or will contribute significant value add to the NTA of the Company before the Awards are granted and Shares delivered.

##### (d) EPS

The Plan will result in a charge to earnings equivalent to the market value on the date at which New Shares are issued under the Awards. Although the Plan will have a dilutive impact (to the extent that New Shares are issued pursuant to the Plan) on the EPS of the Company, the delivery of Shares to the Participants in respect of Awards granted under the Plan is contingent upon the Participants meeting prescribed conditions. Accordingly, the earnings of the Company and the Group should have grown before the Awards are granted and the Shares delivered.



(e) **Dilutive Impact**

It is expected that the dilutive impact of the Plan on the NTA per Share and EPS of the company will not be significant.

5. **THE PROPOSED PARTICIPATION BY THE GROUP NON-EXECUTIVE DIRECTORS**

The Group Non-Executive Directors come from different professions and backgrounds and bring to the Group a wealth of experience in corporate governance and business management. They also provide invaluable guidance in relation to the strategic issues and development of the Group. The Group Non-Executive Directors therefore provide the Group with a multi-disciplinary approach in evaluating and considering business issues and opportunities.

Although they are not specifically involved in the day-to-day management of the Group, the Group Non-Executive Directors are frequently consulted on various matters in relation to the business of the Group. The Company therefore regards these persons as an additional resource pool and values their contributions greatly. The extension of the Plan to the Group Non-Executive Directors is thus in recognition of their services and contributions to the growth and development of the Group.

Before granting any Award to a Group Non-Executive Director, the Committee will take into consideration, *inter alia*, his performance and contributions to the success and development of the Group. In assessing the performance of the Group Non-Executive Directors, the Committee will take into account their attendance at meetings, their membership in various committees in the Group as well as their contributions, which includes contributing their experience to the Group in the areas of overall business strategies, risk management and investment decisions. The Group Non-Executive Directors may be appointed as members of the Committee. However, the rules of the Plan provide that no member of the Committee shall be involved in any deliberation in respect of Awards to be granted to him.

In order to minimise any potential conflicts of interests, the Company does not intend to grant Awards of significant sizes to Group Non-Executive Directors. In particular, in the event that any Awards are granted to the Independent Directors, the quantum of such Awards will not be of such significance as will affect or compromise the independence of such Directors. In addition, in the event that any conflicts of interests arise in any matter to be decided upon by the Board, the Company will request that the relevant Group Non-Executive Director abstain from voting on such matter.

6. **DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

The interests of the Directors and Substantial Shareholders of the Company in the Shares, as at the Latest Practicable Date, are as follows:

Name	Number of Shares		Total percentage interest (%)
	Direct interest	Deemed interest	
<b>Directors</b>			
Michael Ng Lai Yick <sup>(1)</sup> .....	–	80,569,438	9.13
Daniel Wong Chu Kee <sup>(2)</sup> .....	–	1,912,500	0.22
Samuel Lin Jr. <sup>(3)</sup> .....	1,760,000	65,796,800	7.66
<b>Substantial Shareholders (other than Directors)</b>			
Glorious Mountain Limited <sup>(1)</sup> .....	–	80,569,438	9.13
Universal Chinese Limited <sup>(4)</sup> .....	–	54,796,800	6.21
Ng Shu Fan <sup>(5)</sup> .....	–	48,420,000	5.49
Pacific Finance Services Limited <sup>(6)</sup> .....	–	75,064,839	8.51

**Notes:**

- (1) The 80,569,438 Shares, in which Glorious Mountain Limited has a beneficial interest, are registered in the name of DBS Vickers Securities (S) Pte Ltd. Mr Michael Ng Lai Yick is deemed interested in the Shares held by Glorious Mountain Limited.
- (2) Mr Daniel Wong Chu Kee is deemed interested in 1,912,500 Shares registered in the name of CIMB Securities Singapore Pte Ltd.
- (3) Mr Samuel Lin Jr. has a direct interest in 1,760,000 Shares, and has a beneficial interest in 11,000,000 shares registered in the name of Lim & Tan Securities Pte Ltd and a deemed interest 54,796,800 Shares held by Universal Chinese Limited.
- (4) Universal Chinese Limited has a beneficial interest in 32,800 Shares held in the name of DBS Vickers Securities (S) Pte Ltd and 54,764,000 Shares held in the name of Lim & Tan Securities Pte Ltd.
- (5) Mr Ng Shu Fan has a beneficial interest in 48,420,000 Shares held in the name of DBS Vickers Securities (S) Pte Ltd.
- (6) Pacific Finance Services Limited has a beneficial interest in 75,064,839 shares registered in the name of Lim & Tan Securities Pte Ltd.

Based on the eligibility criteria set out in the Plan, all the Directors will be eligible to participate in the Plan. Accordingly, all Directors who are Shareholders will abstain from voting in respect of ordinary resolution at the SGM (the “**Ordinary Resolution**”).

Save as disclosed in this Circular and save for their respective shareholding interests in the Company, if any, none of the Directors have any direct or indirect interest in the proposed Plan.

**7. DIRECTORS’ RECOMMENDATIONS**

As all the Directors would be eligible to participate in the Plan, they have refrained from making any recommendation to Shareholders in respect of the Plan. Additionally, in view of their being either Participants or potential Participants of the Plan, all the Directors will abstain from voting on the Ordinary Resolution.

As each Director is eligible to participate in the Plan, he shall also decline to accept appointment as proxies for any Shareholder to vote in respect of the said Ordinary Resolution unless the Shareholder concerned has given instructions in his proxy forms as to the manner in which his votes are to be cast in respect of such Ordinary Resolution.

In addition, all Shareholders who are eligible to participate in the Plan will abstain from voting on the Ordinary Resolution relating to the Plan, and they shall also decline to accept appointment as proxies for any Shareholder to vote in respect of the said Ordinary Resolution unless the Shareholder concerned has given instructions in his proxy form as to the manner in which his votes are to be cast in respect of such resolutions.

**8. SPECIAL GENERAL MEETING**

The SGM, notice of which is set out on pages 31 and 32 of this Circular, is to be held at Stamford Room, Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on 29 July 2011 at 11:00 a.m., or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place for, the purpose of considering and, if thought fit, passing with or without modifications, the resolutions set out in the Notice of SGM.

**9. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders who are unable to attend the SGM and who wish to appoint a proxy to attend and vote at the SGM on their behalf should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon. The completed and signed proxy form should then be returned as soon as possible and in any event so as to arrive at the office of the Company’s Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not later than 48 hours before the time fixed for the SGM. Shareholders who have completed and returned the proxy form may still attend and vote in person at the SGM, if they so wish, in place of their proxy.

A depositor shall not be regarded as a member of the Company entitled to attend the SGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP, as at 48 hours before the SGM. Shareholders who are eligible to participate in the Scheme shall abstain from voting in respect of the Ordinary Resolution at the SGM. Such Shareholders should also decline to accept appointment as proxies or nominees, as the case may be, for any Shareholder, as the case may be, to vote in respect of Ordinary Resolution unless the Shareholder appointing them has given specific instructions in the proxy instrument as to how he or she wishes his or her votes to be cast for the resolutions.

**10. INSPECTION OF DOCUMENTS**

Copies of the following documents are available for inspection at the offices of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, from the date hereof up to and including the date of the SGM:

- (a) the Memorandum and Bye-Laws;
- (b) the Annual Report of the Company for the financial year ended 31 March 2011;
- (c) the proposed rules of the Plan; and
- (d) the rules of the Scheme.

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Plan, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

Yours faithfully  
For and on behalf of the Board of Directors  
**THE STYLE MERCHANTS LIMITED**

Michael Ng Lai Yick  
Executive Chairman

## APPENDIX A

### RULES OF THE STYLE MERCHANTS PERFORMANCE SHARE PLAN

#### 1. NAME OF THE PLAN

This performance share plan shall be called “**The Style Merchants Performance Share Plan**”.

#### 2. DEFINITIONS

2.1 Unless the context otherwise requires, the following words and expressions shall have the following meanings:

“ <b>Act</b> ” or “ <b>Companies Act</b> ”	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“ <b>Associate</b> ”	(c) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:  (i) his immediate family;  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30 per cent. or more;  (d) In relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30 per cent. or more
“ <b>Auditors</b> ”	The auditors of the Company for the time being
“ <b>Award</b> ”	A contingent award of Shares granted pursuant to the rules of the Plan
“ <b>Award Date</b> ”	In relation to an Award, the date on which the Award is granted pursuant to the rules of the Plan
“ <b>Award Letter</b> ”	A letter in such form as the Committee shall approve, confirming an Award granted to a Participant by the Committee
“ <b>Bermuda Companies Act</b> ”	The Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“ <b>Board</b> ”	The board of Directors of the Company for the time being

<b>“Bye-Laws”</b>	The bye-laws of the Company, as amended, modified or supplemented from time to time
<b>“CDP”</b>	The Central Depository (Pte) Limited
<b>“Code”</b>	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<b>“Committee”</b>	The Compensation Committee of the Company, as duly authorised and appointed by the Board to administer the Plan from time to time
<b>“Company”</b>	The Style Merchants Limited, a company incorporated in Bermuda
<b>“Controlling Shareholder”</b>	A person who: <ul style="list-style-type: none"> <li>(e) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued Shares excluding Treasury Shares (the SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder); or</li> <li>(f) in fact exercises control over the Company</li> </ul>
<b>“CPF”</b>	Central Provident Fund
<b>“Directors”</b>	The directors of the Company, including alternate directors of the Company (if any), as at the date of this Circular
<b>“EPS”</b>	Earnings per Share
<b>“FY”</b>	The financial year ended 31 March
<b>“Group”</b>	The Company and its subsidiaries
<b>“Group Employee”</b>	Any confirmed employee of the Group selected by the Committee to participate in the Plan in accordance with the rules thereof
<b>“Group Executive Director”</b>	A director of the Company and/or its subsidiaries (excluding Directors who are Controlling Shareholders and Directors who are Associates of Controlling Shareholders), as the case may be, who performs an executive function
<b>“Group Non-Executive Director”</b>	A director of the Company and/or its subsidiaries (excluding Directors who are Controlling Shareholders and Directors who are Associates of Controlling Shareholders), as the case may be, other than a Group Executive Director but including an Independent Director
<b>“Independent Director”</b>	An independent director of the Company who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with the best interests of the Company

<b>“Independent Shareholders”</b>	Shareholders other than Shareholders who are Participants and Shareholders who are Associates of the Participants
<b>“Listing Manual”</b>	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
<b>“Market Day”</b>	A day on which the SGX-ST is open for trading in securities
<b>“Memorandum”</b>	The memorandum of association of the Company, as amended, modified or supplemented from time to time
<b>“Offer Date”</b>	The date on which an offer to grant an Award is made
<b>“Participant”</b>	A Group Employee, a Group Executive Director or a Group Non-Executive Director who has been granted an Award pursuant to the Plan
<b>“Performance Period”</b>	The performance period during which the Performance Targets shall be satisfied
<b>“Performance Target”</b>	The performance target prescribed by the Committee to be fulfilled by a Participant for any particular period under the Plan
<b>“Plan” or “The Style Merchants Performance Share Plan”</b>	The proposed performance share plan to be adopted by the Company
<b>“Rules”</b>	The rules of the Plan, as they may be modified or altered from time to time
<b>“SGX-ST”</b>	Singapore Exchange Securities Trading Limited
<b>“Shares”</b>	Ordinary shares in the capital of the Company
<b>“Shareholders”</b>	Registered holders of Shares, except where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register
<b>“Substantial Shareholder”</b>	A person who has an interest or interests in one or more voting Shares in the Company and the total votes attached to that Share, or those Shares, is not less than 5 per cent. (%) of the total votes attached to all the voting Shares of the Company
<b>“Vesting Period”</b>	The period during which an Award may vest
<b>“%” or “per cent.”</b>	Per centum or percentage

2.3 The terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively by Section 130A of the Companies Act.

2.4 The term **“subsidiary”** and **“related companies”** shall have the meaning ascribed to it by Section 5 and Section 6 of the Companies Act respectively.

- 2.5 Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall include corporations.
- 2.6 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Bermuda Companies Act, Act or any statutory modification thereof and used in the Plan shall, where applicable, have the same meaning assigned to it under the Bermuda Companies Act or Act.
- 2.7 Any reference in the Plan to a time of day shall be a reference to Singapore time.

### 3. OBJECTIVES OF THE PLAN

The objectives of the Plan are as follows:

- (a) to incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company by introducing a variable component in their remuneration package;
- (b) to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group's long-term prosperity;
- (c) to attract potential employees with relevant skills to contribute to the Group; and
- (d) to foster an ownership culture within the Group and to inculcate in all Participants a stronger and more lasting sense of identification with the Group.

### 4. ELIGIBILITY OF PARTICIPANTS

4.1 Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Plan:

- (a) Group Employees;
- (b) Group Executive Directors; and
- (c) Group Non-Executive Directors,

**provided that**, as of the Offer Date, such persons have attained the age of twenty-one (21) years, are not undischarged bankrupts and have not entered into any composition(s) with their respective creditors.

Accordingly, directors and employees of the Company and the Company's subsidiaries (but not associated companies) who have contributed to the success and development of the Group shall be eligible to participate in the Plan. Controlling Shareholders and their Associates will not be eligible to participate in the Plan.

- 4.2 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive scheme implemented by the Company or any other company within the Group.
- 4.3 Subject to the Bermuda Companies Act, the Companies Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted from time to time (if applicable), the terms of eligibility for participation in the Plan may be amended from time to time at the absolute discretion of the Committee.

## 5. **LIMITATIONS UNDER THE PLAN**

The aggregate number of Shares which may be issued pursuant to Awards granted under the Plan on any date, when added to the number of new Shares issued and/or issuable in respect of all Awards granted under the Plan, the Scheme and any other share scheme which the Company may implement from time to time, will not exceed fifteen per cent. (15%) of the total issued Shares in the capital of the Company on the day preceding the Award Date.

In accordance with Rule 845 of the Listing Manual, the following limits must not be exceeded:-

- (a) The aggregate number of new Shares issued and/or issuable in respect of all Awards granted under the Plan, the Scheme and all other share schemes which the Company may implement from time to time, must not exceed fifteen per cent. (15%) of the total number of issued Shares from time to time;
- (b) The aggregate number of Shares available to Controlling Shareholders and their Associates must not exceed twenty five per cent. (25%) of the new Shares available under the Plan;
- (c) The number of Shares available to each Controlling Shareholder or his Associate must not exceed ten per cent. (10%) of the New Shares available under the Plan; and
- (d) The aggregate number of Shares available to directors and employees of the Company's parent company and its subsidiaries must not exceed twenty per cent. (20%) of the New Shares available under the Plan.

## 6. **DATE OF GRANT**

The Committee may grant Awards at any time, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested, and hence any Shares or cash equivalent or both comprised in such Awards may only be delivered, on or after the second Market Day from the date on which the aforesaid announcement is made.

## 7. **GRANT OF AWARDS**

7.1 Subject to Rules 4 and 5, the number of Shares which are the subject of each Award to be granted to a Participant under the Plan shall be determined at the absolute discretion of the Committee, which shall take into consideration, where applicable, factors such as the Participant's rank, past performance, length of service, contribution to the success and development of the Group, potential for future development of the Participant and the prevailing market and economic conditions.

7.2 The Committee shall, in its absolute discretion, determine in relation to an Award:

- (a) the date on which the Award will be granted;
- (b) the number of Shares which are the subject of the Award;
- (c) the Performance Target for the Participant which shall be set according to the specific roles of each Participant, and which may differ from Participant to Participant;
- (d) the Performance Period for the Participant;
- (e) the extent to which the prescribed Performance Target has been satisfied (whether fully or partially) or been exceeded, as the case may be, and the extent to which the Shares, which are the subject of that Award, shall be released at the end of the Performance Period on satisfaction of the prescribed Performance Target;



- (f) the vesting schedule (if any), pursuant to which an Award shall vest at the end of each Performance Period, provided the Performance Target for the period has been achieved; and
- (g) any other condition which the Committee may determine in relation to that Award.

Upon its decision to grant the Award, the Committee shall as soon as practicable send to the Participant an Award Letter confirming such Award and specifying the above.

- 7.3 Awards are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of the former), charged, assigned, pledged or otherwise disposed of, unless with the prior approval of the Committee.

## 8. VESTING OF AWARDS

- 8.1 Awards may only be vested, and consequently any Shares comprised in such Awards shall only be delivered, upon the Committee being satisfied at its absolute discretion that the Participant has achieved the Performance Target, performance conditions, service conditions and/or such other conditions such as Vesting Period(s) or vesting schedules applicable for the release of the Award and/or all or any of the Shares or cash equivalent or both to which that Award relates, and/or upon the Committee being satisfied that due recognition should be given for good work performance and/or significant contribution to the Company.
- 8.2 Notwithstanding that a Participant may have met his Performance Target, no Awards shall be vested in the event of:
- (a) the decision of the Committee, in its absolute discretion, to revoke or annul such Award;
  - (b) the cessation of employment of a Participant;
  - (c) the bankruptcy of a Participant;
  - (d) the misconduct of a Participant; or
  - (e) a take-over, winding-up or reconstruction of the Company.
- 8.3 In general, upon the cessation of employment of a Participant specified in Rule 8.2(b), an Award then held by such Participant shall immediately lapse without any claim whatsoever against the Company and/or the Group.
- 8.4 If the cessation is due to certain specified reasons (for example, ill health, injury or disability or redundancy or retirement or death), the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Award or to preserve all or part of any Award until the end of the relevant Vesting Period. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the applicable performance conditions and targets have been satisfied.
- 8.5 Upon the occurrence of any of the events specified in Rule 8.2 (a), (c) and (d), an Award then held by a Participant shall immediately lapse without any claim whatsoever against the Company and/or the Group.
- 8.6 Upon the occurrence of any of the events specified in Rule 8.2(e), the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant.

## 9. TAKE-OVER AND WINDING UP OF THE COMPANY

- 9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to the Shares or cash equivalent or both under the Awards if he has met the Performance Targets for the corresponding Performance Period. For the avoidance of doubt, the vesting of such Awards will not be affected by the take-over offer.
- 9.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Target shall be entitled, notwithstanding the provisions under this Rule 9 but subject to Rule 9.5, to any Shares or cash equivalent or both under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.
- 9.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that Shares or cash equivalent or both may not have been released to the Participants, shall be deemed or become null and void.
- 9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Shares or cash equivalent or both under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Targets prior to the date on which the members' voluntary winding-up is deemed to have commenced or is effective in law.
- 9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the voluntary winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of the Participants, whether by the payment of cash or by any other form of benefit, no release of Shares or cash equivalent or both under the Award shall be made in such circumstances.

## 10. ALLOTMENT AND LISTING OF SHARES

- 10.1 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Plan and the Memorandum and Bye-Laws, the Company shall within one (1) month after the vesting of an Award, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 10.2 Subject to prevailing legislation and guidelines issued by the SGX-ST, the Company shall, on the Release Date, allot and issue the relevant Shares to the Participant, and apply to the SGX-ST, for permission to deal in and for quotation of such Shares.
- 10.3 Shares which are the subject of an Award shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 10.4 Shares issued and allotted upon the vesting of an Award shall be subject to all the provisions of the Memorandum and Bye-Laws, and shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or before the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "**Record Date**" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

## 11. VARIATION OF CAPITAL

11.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or issues for cash or for shares or otherwise howsoever) shall take place, then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
  - (b) the class and/or number of Shares over which future Awards may be granted under the Plan,
- may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate.

11.2 Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; or
- (c) any increase in the issued share capital of the Company as a consequence of the delivery of Shares pursuant to the vesting of Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment. Any issue of securities by the Company as a consequence of the exercise of conversion rights/subsorption rights in the Company's loan stock or warrants and any other securities convertible into Shares (including the vesting of any Awards granted under the Plan) will also not be regarded as a circumstance requiring adjustment.

Upon any adjustment required to be made, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.

Notwithstanding Rule 11.1:

- (a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and
- (b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

## 12. ADMINISTRATION OF THE PLAN

- 12.1 The Plan shall be administered by the Committee duly authorised and appointed by the Board, in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.
- 12.2 The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Plan) for the implementation and administration of the Plan as they think fit including, but not limited to:
- (a) imposing restrictions on the number of Awards that may be vested within each FY; and
  - (b) amending Performance Targets if, by so doing, it would be a fairer measure of performance for a Participant or for the Plan as a whole.
- 12.3 Any decision of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final and binding, including but not limited to any decision pertaining to the number of Shares to be vested, or to disputes as to the interpretation of the Plan or any rule, regulation, procedure thereunder or as to any right under the Plan.

## 13. NOTICES AND DISCLOSURE IN ANNUAL REPORT

The following disclosures shall be made by the Company in its annual report as long as the Plan continues in operation as required by the Listing Manual and including the following:

- (a) The names of the members of the Committee administering the Plan;
- (b) The aggregate number of Shares granted and transferred since the commencement of the Plan and during the financial year under review;
- (c) The aggregate number of Shares comprised in Awards which have vested during the financial year under review and in respect of such Awards, the proportion of existing Shares purchased, including the range of prices at which such Shares have been purchased, upon the release of the vested Awards;
- (d) The aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review;
- (e) In respect of the following Participants:
  - (i) Participants who are Directors of the Company;
  - (ii) Participants who are Controlling Shareholder and their Associates of the Company;
  - (iii) Participants other than those in Rule 13(e)(i) and 13(e)(ii) above, who have been granted Options under the Scheme and/or who have received Shares pursuant to Awards granted under the Plan which, in aggregate represent five per cent. (5%) or more of the total number of Shares available under the Scheme and the total number of Shares issued and allotted in respect of Awards released under the Plan, the following information must be disclosed:
    - (aa) names of each participant;
    - (bb) the following particulars relating to Awards released under the Plan:
      - (i) number of shares granted during the financial year under review (including the terms);

- (ii) aggregate number of shares granted since the commencement of the Plan to the end of the financial year under review;
  - (iii) aggregate number of shares which have vested since the commencement of the Plan to the end of the financial year under review;
  - (iv) aggregate number of shares outstanding as at the end of the financial year under review; and
  - (v) such other information as may be required by the Listing Manual, the Bermuda Companies Act or the Companies Act.
- (f) an appropriate statement that none of the Controlling Shareholders and their Associates had received Shares issued pursuant to the Plan during the financial year under review; and
- (g) such other information as may be required by the Listing Manual, the Act or the Bermuda Companies Act.

#### **14. MODIFICATIONS AND ALTERATIONS OF THE PLAN**

14.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) any modification or alteration which would be to the advantage of the holders of the Awards shall be subject to the prior approval of Shareholders in a general meeting; and
- (b) no modification or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

14.2 The Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) modify or alter the rules or provisions of the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

#### **15. TERMS OF EMPLOYMENT UNAFFECTED**

The Plan or any Award shall not form part of any contract of employment between the Company or any subsidiary (as the case may be) and any Participant and the rights and obligations of any individual under the terms of office or employment with such company within the Group shall not be affected by his participation in the Plan or any right which he may have to participate in it or any Award which he may hold and the Plan or any Award shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.

#### **16. DURATION OF THE PLAN**

16.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years from the date the Plan is adopted by the Company in a general meeting, provided always that the Plan may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in a general meeting and of any relevant authority which may then be required.

16.2 The termination of the Plan shall not affect (including potential vesting) any Award(s) which have been made to the Participants.

16.3 The Plan may be terminated at any time by the Committee or by resolution of the Company in a general meeting subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be made by the Company thereunder.

**17. TAXES**

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the Plan shall be borne by that Participant.

**18. COSTS AND EXPENSES**

18.1 Each Participant shall be responsible for all fees of CDP (if any) relating to or in connection with the issue and allotment of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank and all taxes referred to in Rule 17 which shall be payable by the relevant Participant.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of Shares pursuant to the Awards shall be borne by the Company.

**19. DISCLAIMER OF LIABILITY**

Notwithstanding any provision herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 10.2.

**20. DISPUTES**

Any dispute or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

**21. CONDITION OF AWARDS**

Every Award shall be subject to the condition that no Shares would be issued pursuant to the vesting of any Award(s) if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

**22. ABSTENTION FROM VOTING**

Shareholders who are eligible to participate in the Plan shall abstain from voting on any resolution(s) relating to the Plan.

**23. GOVERNING LAW**

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Plan, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

# THE STYLE MERCHANTS LIMITED

(Company Registration Number: 27671)  
(Incorporated in Bermuda on 24 January 2000)

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of The Style Merchants Limited (the “**Company**”) will be held at Stamford Room, Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on Friday, 29 July 2011 at 11:00 a.m. or as soon as practicable following the conclusion or adjournment of the annual general meeting of the Company to be held at 10:30 a.m. on the same day and at the same place, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

All capitalised terms used herein shall have the same meaning as ascribed to them in the circular to Shareholders dated 5 July 2011 (the “**Circular**”), unless a contrary intention appears.

### **ORDINARY RESOLUTION: THE PROPOSED ADOPTION OF THE STYLE MERCHANTS PERFORMANCE SHARE PLAN**

That the performance share plan to be named “The Style Merchants Performance Share Plan” (the “**Plan**”), the rules of which have been set out in the Circular, be and is hereby approved and adopted, and that the Directors be and are hereby authorised:

- (i) to establish and administer the Plan;
- (ii) to modify and/or amend the Plan from time to time provided that such modifications and/or amendments are effected in accordance with the rules of the Plan and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Plan;
- (iii) subject to the same being allowed by law, to issue new shares in the share capital of the Company towards the satisfaction of the awards (the “**Awards**”) granted under the Plan provided that the aggregate number of Shares to be issued or issuable pursuant to the Plan and any other share based schemes of the Company, and the Plan, shall not exceed fifteen per cent. (15%) of the issued Shares of the Company from time to time; and
- (iv) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and authorised by this Resolution.

BY ORDER OF THE BOARD

Yvonne Choo / Hazel Chia Luang Chew  
Company Secretaries  
Singapore  
6 July 2011

**Notes:**

1. A shareholder of the Company (the "**Shareholder**") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Shareholder of the Company.
2. If a Shareholder wishes to appoint a proxy/proxies to attend the SGM, then he/she must complete and deposit the Shareholder Proxy Form at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the SGM.
3. If the Shareholder is a corporation, then the Shareholder Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney and must be deposited at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the SGM.