Style Merchants

2010 ANNUAL REPORT

Our New *Game Plan*

ONLINE GAMING. Game operation remains our main business and we continue to streamline the segment to deliver stronger results. By partnering with reputable and quality game developers, we offer a wide variety of online games and provide the best gaming experience to our players.

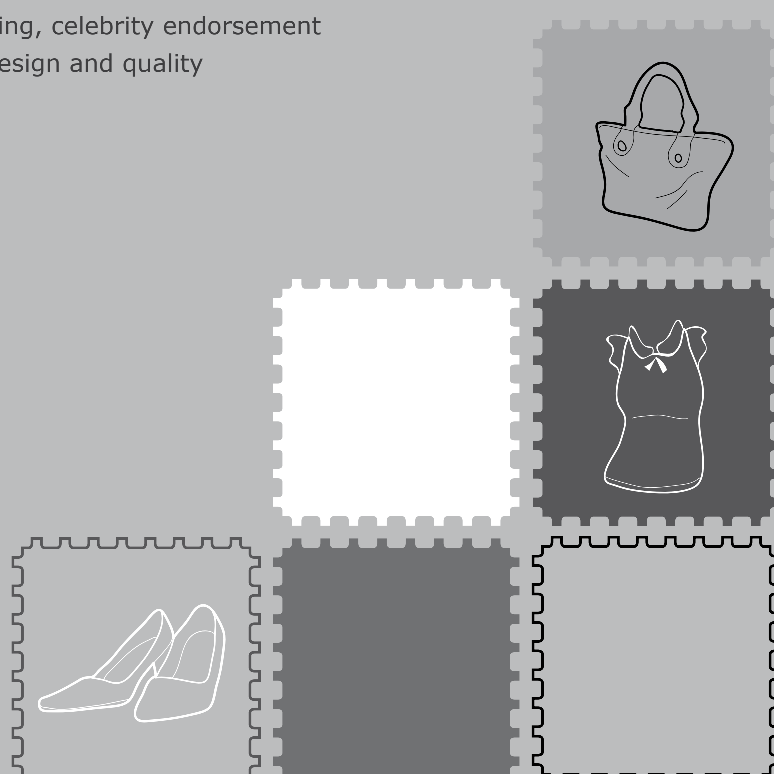
- Launched an MMORPG game, Yin-Yang online, in November 2009 to target new audiences
- Reached an agreement with a major Korean game developer to publish the award-winning game, Rappelz, in Singapore, Malaysia and Philippines
- Finalized agreement to operate Highstreet 5, a reputable casual game, in North America, a high potential market

CONTENTS:

Our New
Business Venture

FASHION RETAIL. We foresee great potential in this industry and have made rapid progress in preparing the groundwork to benefit from the latent demand in the PRC market.

- Ventured into fashion retail business via acquisition of RRM which operates retail shops under the name: The Carnaby
- Continuing measures to improve existing sales coverage by setting up flagship stores in major cities in China and expanding the franchisee network
- Focus on middle to high income female clientele via aggressive brand marketing, celebrity endorsement and innovative product design and quality



Executive Chairman's Statement

Dear Valued Shareholders,

On behalf of your Board of Directors (the "Board"), I am pleased to present to you The Style Merchants Limited's (formerly known as NeteLusion Limited) (the "Company") annual report for the financial year ended 31 March 2010 ("FY2010").

In the year under review, the Company and its subsidiaries (together, the "Group") deliberated its efforts to identify a new and promising business direction and strategy subsequent to the Company being placed on the watch list of the Singapore Exchange Securities Trading Limited ("SGX-ST") in June 2009 and following the termination of the proposed acquisition of a renewable energy company in July 2009, in addition to maintaining a stable growth to its core business of online gaming.

The online gaming business recorded a 45% increase in revenue from US$1.5 million in the last financial year ("FY2009") to US$2.1 million. In particular, revenue of the Game Development and Operation division increased from US$0.87 million to US$1.8 million, representing a growth of over 100%. To pursue further growth in the game operation, the Group entered into a license agreement with a reputable Korean game developer in April 2010 to publish an MMORPG game in Singapore, Malaysia and Philippines.

In an effort to improve the financial situation for the existing business and in pursuit of potential new business expansion, the Group successfully raised more than S$2.1 million by placing 30 million new shares to a group of strategic investors in February 2010 and embarked on the acquisition of a majority interest in Retail Resources Management Limited ("RRM"), a company engaged in the design and marketing of lifestyle consumer products. The Company also embarked on a rights issue to raise approximately S$9.4 million to fund the expansion of the new business opportunities in the fashion retail and life style consumer products in the People's Republic of China (the "PRC") and as general working capital of the Group.

Executive Chairman’s Statement

With the completion of the acquisition of RRM in May 2010 and the Rights Issue expected to be completed by 28 June 2010, the Group has established a clear and focused strategy of maintaining a stable growth in the existing online gaming business and rapidly expanding the new lifestyle consumer products business with an objective to improve the overall financial performance.

Undoubtedly, FY2010 will be remembered as a turbulent and difficult year for the Group. However, we believe that tough but necessary decisions had been made to weather these hard times and the Company is now better positioned to face the challenges ahead.

On behalf of your Board, I thank our staff and Management for their outstanding loyalty and commitments demonstrated over the last year.

Finally, I thank you, our shareholders for your patience and continued support and look forward to an improved performance in the coming year.

Yours Sincerely,

Michael Ng Lai Yick
Executive Chairman

Financial Review

The Group's turnover increased by 45% from US$1.5 million to US$2.1 million for FY2010. This was attributable mainly to the increase in turnover in the Game Development and Operation division as a result of the Group's strategy to engage more resources in developing casual games in South East Asia.

The Group's gross profit increased by 133% from US$0.5 million to US$1.1 million in FY2010 due primarily to an increase in turnover from the Game Development and Operation division.

Administrative and other operating expenses decreased by 33% from US$4.4 million in FY2009 to US$2.9 million in FY2010 due mainly to:

i) restructuring and rationalization efforts of the Games Services Division since late FY2009; and
ii) additional legal and professional fees incurred in FY2009 in connection with the proposed acquisition of Agni Inc Pte Ltd.

A provision for impairment of intangible assets of US$1.5 million and a provision for impairment of property, plant and equipment of US$0.1 million were made in FY2009 after Management's valuation on goodwill and NeteLusion (Hong Kong) Limited and its subsidiaries in accordance with IAS 38 and IFRS 5 respectively.

The Group recorded a net loss of US$1.8 million for FY2010 compared to a net loss of US$5.5 million in FY2009.

The net cash used in operating activities was US$1.3 million for FY2010. Cash used in investing activities was approximately US$26,000 for FY2010 due mainly to purchase of equipment. Cash generated from financing activities was mainly proceeds of US$1.5 million from issue of placement shares in February 2010.

As a result, the Group's cash and cash equivalents increased from US$2.3 million at the beginning of the financial year to US$2.6 million as at 31 March 2010.

Operations Review

Despite the efforts to explore new business opportunities and acquisitions, Management's attention remained focused on the main business of online gaming.

The Southeast Asian countries continued to be our primary market for growth. In FY2010, the number of players in our games grew by over 50% and total sales revenue had doubled.

GAME DEVELOPMENT AND OPERATION

By partnering with reputable and quality game developers, we aim to offer a wide variety of online games and provide the best gaming experience to our players.

HighStreet 5, one of the top casual online games and a favorite game amongst the music and dance lovers, extended its dominance and leading position by integrating essential features of a social network system. Within the game, players not only played music and danced, they also chatted, made friends with each other, interacted and socialised through the in-game events and activities.

In November 2009, we launched Ying-Yang Online, a Chinese MMORPG, in Malaysia to target the ethnic Chinese gamers. As MMORPG's addressed a different genre of players, Ying-Yang Online enabled us to expand our existing gamer population. Furthermore, in April 2010, we reached an agreement with nFlavor Inc., a major Korean game developer, to publish their award-winning game, Rappelz, in Singapore, Malaysia and Philippines. Rappelz is a popular and high quality MMORPG currently published in over 35 countries globally.

While we committed ourselves to the Southeast Asian market by constantly sourcing and launching excellent game products, cautious steps were also taken to expand into North America. In January 2010, we finalized another agreement with the game developer to operate HighStreet 5 in North America. We are confident that, with the success we have achieved in South East Asia, we will make satisfactory progress in North America that offers greater growth opportunities.

Operations Review

GAME SERVICES

With game operation being our main business to grow, we continued to rationalize our Game Service division. In April 2010, we disposed the subsidiary based in Xiamen, the PRC which is engaged in operation of a game portal. The remaining business of the Game Service Division is the game card distribution network operation in Malaysia.

BUSINESS OUTLOOK

While South East Asia shows sign of recovery from the global financial crisis, the PRC had enjoyed GDP growth of over 8% in year 2009 and will likely exceed this rate in 2010, as a result of the PRC central government's policy to further stimulate domestic consumption and spending.

In the coming year, our online Game Division is expected to generate additional revenue from the new game, Rappelz, in South East Asia and from HighStreet 5 in North America, thereby, giving a positive impact on achieving a better economy of scale over the existing cost structure.

In the new Fashion Retail division, we will continue to improve the existing sales coverage by setting up flagship stores in major cities in the PRC and expanding the franchisee network. Our focus and appeal to middle to high income female clientele will be complemented with aggressive brand marketing, celebrity endorsement and innovative product design and quality.

Over the last few years, the financial performance of the Company has not been satisfactory due to limited internal resources and lack of concrete business direction and strategy that warranted rapid growth. With the recent capital fund raising exercise and acquisition of business in fashion retail and lifestyle consumer products, the Company is now better positioned with vitality, confidence and determination that are deemed critical and important for accomplishing a turnaround and setting out on the right track to success.

Group Structure

Board of Directors

MICHAEL NG LAI YICK was appointed Executive Chairman of the Company on 1 February 2000. Prior to founding the Group, he co-founded Lenovo Group Limited ("Lenovo"), previously known as Legend Holdings Limited, a company listed on the Hong Kong Stock Exchange Limited in 1994. In 1995, he co-founded Asia Online Ltd., an ISP in Asia. After he left Lenovo in mid-1997, Mr Ng invested in a number of technology companies in mainland China. In 1999, he formed The Style Merchants Group (formerly known as NeteLusion Group) in Hong Kong. Given his significant operational experience throughout China, Mr Ng devotes much of his time to the overall management and development of business activities for the Group.

Mr Ng received his Bachelor's Degree in Computing Science in 1980 from the Imperial College of Science and Technology in the United Kingdom.

DANIEL WONG CHU KEE was appointed Executive Director of the Company on 31 May 2001 and was subsequently re-designated as Non-Executive Independent Director on 29 August 2008. He was also appointed as Deputy Chairman of the Company on 3 September 2007 and was last re-elected a Director of the Company on 31 July 2009. Mr Wong began his career with DAW Computers Systems as a sales support engineer in China. Thereafter, he joined AST Research (Far East) Limited ("AST"), and under his leadership, AST became the number one foreign PC vendor for seven consecutive years through successfully establishing sales channels and initiating joint ventures.

In 1998, Mr Wong co-founded ServiceOne Getronics Limited ("S1")(formerly known as ServiceOne Limited). Under his leadership, S1 became one of the largest independent service providers in China and is consistently ranked amongst its top service partners.

Mr Wong graduated with a Bachelor's Degree in Computing Studies in 1984 from the University of East Anglia in the United Kingdom.

SAMUEL LIN JR. was appointed Executive Director of the Company on 24 June 2010. Mr Lin is co-founder of Retail Resources Management Limited ("RRM"), a company that invests in and operates fashion retail business in China. He has over 25 years of experience launching and managing businesses in various industries. Prior to founding RRM, Mr Lin was the Managing Partner of Asia Capitol Limited, a private equity syndication company focusing on the Chinese consumer market. He was also Chairman of One Media Planet in Beijing, a consumer mobile media company, and Bonity Property Brokerage Co Limited in Shanghai. Mr Lin began his career in information technology in 1983 when he started one of Hong Kong's first retail resellers of personal computers, PCPlus. PCPlus was subsequently sold to a Hong Kong conglomerate, the Swire Group, in 1986. After leaving PCPlus in 1987, Mr Lin joined Unisys Asia as a sales manager before becoming divisional director at Unisys Hong Kong Limited. In 1992, he joined Datacraft Hong Kong as General Manager and three years later, was appointed Director of Sales for Datacraft Asia Limited, responsible for sales and business development. He left Datacraft Asia in mid-1998 but continued to advise the group. His entrepreneurial zeal led him to start another business, Asia Online Ltd., Hong Kong's very first consumer internet services. In 1999, Mr Lin joined the board of SACS, South Africa's largest weaving factory supplying cotton products to high-end European garment manufacturers.

Mr Lin graduated with a Bachelor of Science (Computing Studies) Degree from London University in the United Kingdom.

JOHN LIM YEW KONG was appointed Non-Executive Independent Director of the Company on 1 May 2000. He was last re-elected a Director of the Company on 28 July 2008. He is currently a director of AXIA Equity Pte. Ltd., a firm which provides business and financial advisory services to companies in Singapore and the region. Prior to this and since 1991, Mr Lim was involved in the private equity and venture capital industry in Asia as a director of an investment advisory firm engaged in direct investment in the region. From 1989 to 1991, Mr Lim worked in Dowell Schlumberger in the United Kingdom, where he was UK division controller. Between 1984 and 1988, he was with Arthur Andersen & Co, London.

Mr Lim graduated with a Bachelor's Degree in Economics in 1984 from the London School of Economics and Political Science in the United Kingdom. He qualified as a chartered accountant in 1987 from the Institute of Chartered Accountants in England and Wales.

CHEONG CHOW YIN was appointed Non-Executive Independent Director of the Company on 21 October 2002. He was last re-elected a Director of the Company on 27 July 2007. From 1992 to 2000, Mr Cheong served as the President (Asian Region) of The DII Group, Inc., a Nasdaq-listed contract manufacturing company with a US$2 billion market capitalization. The DII Group, Inc. has changed its name to Flextronics International Ltd, after its successful merger with Flextronics Int'l Inc in April 2000.

Mr Cheong graduated with a diploma in Electrical and Electronics Engineering in 1975 from Ngee Ann Polytechnic, Singapore. He obtained his second diploma in Industrial Management in 1982 from the Polytechnic of Central London in the United Kingdom.

OTHER DIRECTORSHIPS OR CHAIRMANSHIPS

	Directorships or Chairmanships in other listed companies and other major appointments, both present and held over the preceding 3 years (as at 25 June 2010)			
	Present appointments		Past appointments	
Name of Director	Title	Company	Title	Company
Michael Ng Lai Yick	-	-	-	-
Daniel Wong Chu Kee	-	-	-	-
Samuel Lin Jr.	-	-	-	-
John Lim Yew Kong	Non-Executive Independent Director Non-Executive Independent Director	Karin Technology Holdings Limited North Asia Resources Limited (formerly known as Venture International Investment Holdings Limited)	-	-
Cheong Chow Yin	-	-	Independent Director	LottVision Limited

Key Executives

MANDY HO NGA YEE is the Chief Financial Officer. She joined the Group in 2000 and is in charge of the financial management and corporate functions of the Group. Prior to joining the Group, Ms Ho held the position of Deputy General Manager (Finance Department) in Lenovo.

Ms Ho graduated with a Bachelor of Arts Degree from the Hong Kong Polytechnic University, and received a Master's Degree in Business Administration from the University of Science & Technology, Hong Kong. She is also a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

KEVIN HO KAM WING joined the Group in 2010 and is the Chief Executive Officer of the Fashion Retail division in the PRC. He is responsible for the operations of the female apparel branding "the Carnaby" in China. Prior to joining the Group, Mr. Ho held several management positions in various apparel retailing companies since 1995. He got five years experiences in Hong Kong, Taiwan, Guangzhou and southern China retail market from 1995 to 1999 and over 10 years experiences in the PRC retail market starting from year 2000.

Mr. Ho received his Bachelor's Degree in Art (major in Economics) in 1993 from the University of Winnipeg in Canada.

RICHARD CUI DI joined the Group in 2001 and is the Chief Executive Officer of the Game Services division in the PRC. He is responsible for the operations of the e-business platform, whoyo.com, which is an Internet portal for the exchange of virtual weapons and products of online games, merchandising and advertising, in the PRC.

Prior to joining the Group, Mr Cui held several senior positions in various IT companies since 1994. He was the Managing Director and General Manager of Beijing Network Computer Systems Co. Ltd from 2000 to 2001. Between 1997 and 2000, he was the Deputy Managing Director and General Manager of Union Design Information System Co. Ltd, a computer systems and applications integration company.

Mr Cui received his Bachelor's Degree in Management Business in 1984 from the China Mining University in the PRC.

JAMES LEE TECK THIAM joined the Group in 2001 and is the Chief Executive Officer of the Game Development and Operation division, and Game Services division in Malaysia.

Mr Lee has diversified experience ranging from taxation, corporate finance, property development to his current involvement in the IT Industry. Mr Lee was involved in placing many Cross Border Leveraged leases when he was attached to GATX Leasing, a Fortune 500 USA company. Mr Lee's career took a turn when he joined the IT Industry in 1992 teaming up with his ex-Imperial mates who were the founders of Lenovo. Mr Lee ran the Malaysian business for Lenovo from 1992-1997. From 1998 onwards, Mr Lee was the business owner of various IT ventures ranging from distribution, outsourcing, servicing and to the current Internet business of The Style Merchants.

Mr Lee graudated with a Bachelor's Degree in Computing Science in 1980 from the Imperial College of Science and Technology in the United Kingdom, and received a Master's Degree in Business Administration from the City University Business School London in 1981.

ERIC CHOY SUN YAM joined the Group as the Business Development Manager in 2006. He is responsible for assisting the heads of various business divisions in accomplishing sales and development goals. Apart from this, Mr Choy also serves as the Chief Operating Officer of the Game Operation Division in the Philippines. Mr Choy has working experience in multi-national corporations and government department. Before he joined the Group, he had been working in the BMW (Munich), the Hong Kong Dragon Airlines Limited and the Hong Kong Police Force. He is experienced in web 2.0, knowledge portal and online game market in South East Asia.

Mr Choy graduated with a Bachelor's Degree in Engineering and received his Master of Philosophy Degree from the Hong Kong Polytechnic University.

Corporate Information

BOARD OF DIRECTORS
Michael Ng Lai Yick
(Executive Chairman)

Daniel Wong Chu Kee
(Non-Executive Independent Director/Deputy Chairman)

Samuel Lin Jr.
(Executive Director) - appointed on 24 June 2010

John Lim Yew Kong
(Non-Executive Independent Director)

Cheong Chow Yin
(Non-Executive Independent Director)

AUDIT COMMITTEE
Cheong Chow Yin (Chairman)
John Lim Yew Kong
Daniel Wong Chu Kee

COMPENSATION COMMITTEE
John Lim Yew Kong (Chairman)
Cheong Chow Yin
Daniel Wong Chu Kee

NOMINATING COMMITTEE
John Lim Yew Kong (Chairman)
Cheong Chow Yin
Michael Ng Lai Yick

COMPANY SECRETARIES
Yvonne Choo
Hazel Chia Luang Chew

BUSINESS OFFICE
Unit 2602-6, 26/F
Prosperity Millennia Plaza
663 King's Road
North Point, Hong Kong
Tel : (852) 2168 3900
Fax : (852) 2562 9090

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda
Tel : (1 441) 295 1422
Fax : (1 441) 292 4720

SHARE TRANSFER AGENT
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

BERMUDA SHARE REGISTRAR
Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITOR
PricewaterhouseCoopers
Hong Kong
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Partner-in-charge:
Ivan Ng Ka Ho
(Since financial year 2010)

Report of Corporate Governance

The Board is committed to maintaining a high standard of corporate governance within the Group and confirms that the Company has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005 ("the Code") unless otherwise specific.

1 BOARD MATTERS

Board's Conduct of its Affairs

The Board oversees the business affairs of the Company and assumes responsibility for the Group's overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices.

The Board conducts regular scheduled meetings at least four times a year to deliberate strategic policies of the Group, including significant acquisitions and disposals, the annual budget, business performance and approval for the release of half-year and full-year results to the Singapore Exchange Securities Trading Limited ("SGX-ST"). Additional Board meetings are also held between these scheduled meetings, as and when required, to address significant transactions or issues that may arise. The Company's Bye-law 115(2) allows Directors to participate in Board meetings by means of a telephone conference or by any electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

Details of Directors' attendance at Board and Board Committee meetings held in FY2010 are summarised in the table below:

	Board of Directors Meetings		Board Committee Meetings					
			Audit Committee Meetings		Compensation Committee Meetings		Nominating Committee Meetings	
Name of Directors	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Michael Ng Lai Yick	4	4	–	–	–	–	1	1
Daniel Wong Chu Kee	4	4	4	4	1	1	–	–
John Lim Yew Kong	4	4	4	4	1	1	1	1
Cheong Chow Yin	4	4	4	4	1	1	1	1
Ramani Muniyandi[1]	4	1	–	–	–	–	–	–

Note 1: Mr Ramani Muniyandi resigned as Non-Executive Director on 23 July 2009.

The Board has adopted a set of internal controls and guidelines which set out approval limits for capital expenditure, investments and divestments, credit facilities from vendors, bank borrowings and cheque signatory arrangements at Board level.

Board's approval is required for matters likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business.

Management closely monitors all changes to regulations and accounting standards, in particular changes which have a significant bearing on the Company's or Directors' disclosure obligations. Directors are kept informed of such changes through circulated updates or briefings during Board meetings or at specially convened sessions conducted by professional advisors.

The Company has in place orientation programmes for newly appointed Directors to ensure that they are familiar with the Group structure, business and operations as well as existing Directors for their better appreciation and understanding of the Group's structure and operations. The Company also has a training budget for Directors to attend courses and seminars whenever necessary. Directors are provided with updates on changes in the relevant laws or regulations, where appropriate, to enable them to make well-informed decisions and to discharge their duties responsibly.

Board Composition and Balance

As at the date of this report, the Board comprises five Directors, of whom three are Non-Executive Independent Directors and two are Executive Directors.

The Board is of the view that its current size is appropriate, taking into account the nature and scope of the operations of the Group. As a group, the Directors provide core competencies, such as business or management experience, industry knowledge, finance, strategic planning experience and customer-based experience as well as knowledge and expertise that are necessary and critical to meet the Group's objectives. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 8 and 9 of the Annual Report.

The Non-Executive Directors constructively challenge Management and assist in the development of proposals on strategy.

The Board is supported by key Board Committees which provide independent overview of management. These key committees, namely Audit Committee, Compensation Committee and Nominating Committee, comprise mainly Non-Executive Independent Directors. Membership in the different Board Committees is carefully managed to ensure that there is equitable distribution of responsibilities among Board members, so as to maximize the effectiveness of the Board and foster active participation and contribution from Board members. In this connection, diversity of expertise, experience and appropriate skills are also considered.

The nature of the Directors' appointments on the Board and details of their memberships on Board Committee as at the date of this report are set out below:

		Board Committee Membership		
Name of Directors	**Board Membership**	**Audit**	**Compensation**	**Nominating**
Michael Ng Lai Yick	Executive Chairman	–	–	Member
Daniel Wong Chu Kee	Non-Executive Independent Deputy Chairman	Member	Member	–
John Lim Yew Kong	Non-Executive Independent Director	Member	Chairman	Chairman
Cheong Chow Yin	Non-Executive Independent Director	Chairman	Member	Member
Samuel Lin Jr. (appointed on 24 June 2010)	Executive Director	–	–	–

The Nominating Committee has reviewed the independence of each Director for the financial year ended 31 March 2010 in accordance with the Code's definition of independence and is satisfied that more than one-third of the Board comprised Non-Executive Independent Directors.

Chairman and Chief Executive Officer ("CEO")

Currently, the roles of the Chairman and CEO are not separated. The Board is of the view that as there is adequate representation of Non-Executive Independent Directors (more than one-third) on the Board, hence, further reinforcement of Board independence through separation of the roles of Chairman and CEO is deemed not necessary for the time being.

Although Mr Michael Ng Lai Yick is both the Executive Chairman and CEO, there is no concentration of power as the Group is run objectively on a transparent basis. As Chairman, Mr Ng is responsible for the working of the Board and ensures the integrity and effectiveness of the corporate governance process of the Board. The Chairman is also responsible for the exercise of control of the quality, quantity and timeliness of information flow between the Board and Management. The Chairman also sets the agenda of Board meetings in consultation with fellow Directors and other executives, including professional advisors, where appropriate. As CEO, Mr Ng plays a pivotal role in the development and execution of policies and strategies of the Group as he is also one of the founding shareholders of the Group. However, the Board will review from time to time, the need to separate the roles of Chairman and CEO if the situation warrants.

Board Memberships

The Nominating Committee comprises three members, of whom two are Non-Executive Independent Directors and the third member is an Executive Director.

The key objectives of the Nominating Committee are to ensure that there is a formal and transparent process in the nomination, appointment and re-appointment of Directors to the Board and in the assessment of the effectiveness and contribution of the Board and its members to the welfare, strategic growth and development of the Company.

The Nominating Committee held one meeting during the financial year ended 31 March 2010, chaired by Mr John Lim Yew Kong, a Non-Executive Independent Director not associated with any substantial shareholder.

The principal functions of the Nominating Committee stipulated in its terms of reference are summarised as follows:

(a) Reviews and recommends Directors retiring by rotation for re-election at each Annual General Meeting;

(b) Determines annually the independence of the Directors;

(c) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustment that are deemed necessary;

(d) Reviews and makes recommendations to the Board on all board appointments;

(e) Assesses the performance of the Board as a whole; and

(f) Decides whether a Director is able to and has been adequately carrying out his duties as a Director of the Company particularly when the Directors has multiple board representations.

In accordance with the Company's Bye-laws, each Director (other than the Chairman) retires at least once every three years by rotation and all newly appointed Directors retire at the next Annual General Meeting following their appointments. The retiring Directors are eligible to offer themselves for re-election. The Nominating Committee had recommended the re-appointment of Mr Cheong Chow Yin and Mr Samuel Lin Jr., Directors who will be retiring at the forthcoming Annual General Meeting.

The Board had accepted the Nominating Committee's recommendation and accordingly, Mr Cheong Chow Yin and Mr Samuel Lin Jr. will be offering themselves for re-election.

The Nominating Committee has in place a process for the selection and appointment of new Directors. This provides the procedure for identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board.

Board Performance

The Nominating Committee has adopted a formal system of evaluating Board performance as a whole. A Board performance evaluation was carried out to assess and evaluate the Board's composition, size and expertise, timeliness of Board information as well as Board accountability and processes.

Access to Information

Management keeps the Board regularly updated on the Group's business and performance through periodic performance reports and other consolidated financial statements. The Board is kept apprised of strategic business developments concerning the Company and the Group. Information and updates containing background and explanatory notes together with relevant disclosures, documents, budgets, forecasts and internal financial statements are circulated to Board members. Board papers are generally sent to Directors prior to Board meetings for their review. Senior management are also invited to attend and present their papers/updates at Board meetings, where necessary.

The Directors may seek independent professional advice to fulfill their duties and such cost will be borne by the Company.

The Board also has separate and independent access to the Company Secretaries and the Group's senior management.

The Company Secretary provides secretarial support and assistance to the Board and ensures adherence to Board procedures and relevant rules and regulations applicable to the Company.

The Company Secretary attends all Board and Board Committee meetings.

2 REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

The Compensation Committee comprises three members, all of whom are Non-Executive Independent Directors. The Compensation Committee held one meeting during the financial year ended 31 March 2010, chaired by Mr John Lim Yew Kong.

The Compensation Committee, regulated with functions which are similar to that of the Remuneration Committee stipulated in the Code, reviews the remuneration packages of all Directors and senior management executives. The Compensation Committee also reviews and recommends Directors' fees for Non-Executive Independent Directors subject to shareholders' approval at the Annual General Meeting.

The Compensation Committee also has access to external professional advice on remuneration matters, if required.

Report of Corporate Governance

Level and Mix of Remuneration

In setting the remuneration packages for the Executive Directors and key management, the Compensation Committee will take into consideration the pay and employment conditions within the industry the Group operates as well as companies within the same business segment as there are no exactly comparable companies. In addition, the Compensation Committee also takes into account the Group's relative performance as well as the performance of individual director and the key management of the Group.

Non-Executive Independent Directors have no service contracts and their terms are governed by the Company's Bye-laws. Directors' fees payable to the Non-Executive Independent Directors are set in accordance with the Company's Directors' fee policy and in consideration of the contribution, effort, time incurred and responsibilities of the Non-Executive Independent Directors. The Non-Executive Independent Directors are not over-compensated to the extent that their independence may be compromised. Directors' fees payable to Non-Executive Independent Directors will be subject to shareholders' approval at the forthcoming Annual General Meeting.

During the financial year under reivew, Michael Ng Lai Yick, sole Executive Director, of the Company has no service contract with the Company and did not receive Director's fees.

All Directors and employees are entitled to participate in the Company's Share Option Scheme. Details of which are disclosed on pages 23 to 25 of the Annual Report.

Disclosure on Remuneration

A breakdown, showing the level and mix of each individual director's remuneration for the financial year ended 31 March 2010 is set out as follows:

Remuneration band and name of Directors	Fees	Basic salary	Other benefits
US$330,000 and above (approximately equivalent to S$500,000 and above)			
NIL			
US$165,000 to below US$330,000 (approximately equivalent to S$250,000 – below S$500,000)			
NIL			
Below US$165,000 (approximately equivalent to below S$250,000)			
Michael Ng Lai Yick	–	–	–
Daniel Wong Chu Kee	100%	–	–
John Lim Yew Kong	100%	–	–
Cheong Chow Yin	100%	–	–

During the financial year ended 31 March 2010, there were 5 key executives and the remunerations paid to these key executives of the Group are within bands of less than US$165,000 (approximately equivalent to S$250,000). The proportions of fixed and variable income payable to these key executives are between 68.6% to 92.5% and 7.5% to 31.4% respectively. For competitive reasons, the Company is not disclosing the remuneration of each individual key executive.

There were no employees in the Company or Group who are immediate family members of a Director or the CEO and whose remuneration exceeded US$99,000 (approximately equivalent to S$150,000) during the financial year ended 31 March 2010.

3 ACCOUNTABILITY AND AUDIT

Accountability

The Board provides shareholders with a balanced and understandable explanation and analysis of the Group's performance, position, and prospects on a half-yearly basis in the Group's half-year and full-year results announcements. The Board also provides shareholders with quarterly updates, via SGXNET, on the Company's financial position including future direction and other material development in accordance with the SGX-ST's listing requirements.

Management provides the Board with balanced and understandable management accounts of the Group's performance on a monthly basis. The Board is briefed on the Group's performance, position and prospects on a quarterly basis during its regular scheduled meetings and also as warranted by particular circumstances as deemed appropriate.

Audit Committee

The Audit Committee comprises three members, all of whom are Non-Executive Independent Directors.

The Audit Committee held four meetings during the financial year ended 31 March 2010 and the Chairman of the Audit Committee is Mr Cheong Chow Yin.

The Board is of the view that the Audit Committee members have the adequate accounting or related financial management expertise or experience to discharge the Audit Committee function. Details of academic and professional qualifications of the members of Audit Committee are set out in the Annual Report under Directors' Profile on pages 8 and 9.

The Audit Committee, regulated by a set of written terms of reference, performs the following key functions:

(a) Reviews with the external auditors, their audit plans, evaluation of the system of internal accounting controls, audit reports and matters which the external auditors may to raise;

(b) Reviews the Company's internal control system;

(c) Reviews the half-year and full-year financial statements prior to submission to the Board for approval to release to SGX-ST;

(d) Reviews significant findings of internal investigations, if any;

(e) Reviews the cooperation given by Management to the external auditors;

(f) Reviews the financial statements of the Company and the Group before they are submitted to the Board together with the external auditors' report;

(g) Reviews and recommends to the Board the appointment and re-appointment of external auditors;

(h) Reviews interested person transactions, if any, under the requirements of the Listing Rules of SGX-ST; and

(i) Reviews all non-audit services provided by the external auditors to determine if the provision of such services would affect the independence of the external auditors.

The Audit Committee reviews arrangements by which the staff may, in confidence, report possible improprieties which may cause financial or non-financial loss of the Group. The objective is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

The Audit Committee also has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management of the Company and full discretion to invite any Director or Management of the Company to attend its meetings, and has reasonable resources to enable it to discharge its functions properly.

Annually, the Audit Committee meets the external auditors separately, without the presence of the Executive Chairman and other management members.

The Audit Committee had reviewed the non-audit services provided by the external auditors, PricewaterhouseCoopers, Hong Kong, to determine if the provision of such services, if any, would affect the independence of the external auditors.

The external auditors did not provide any non-audit services to the Group and there were no such fees paid to the external auditors during the financial year under review.

The Audit Committee had recommended the re-appointment of PricewaterhouseCoopers, Hong Kong as the Company's auditors at the forthcoming Annual General Meeting.

Internal Controls

The Audit Committee evaluates the findings of external auditors on the Group's internal controls annually. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management and that was in place throughout the year and up to and as at the date of this report, is adequate to meet the needs of the Group in its current business environment.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

Internal Audit

The Board is of the view that the existing operations of the Group do not warrant the Group to have an internal audit function. The Board would, however, review periodically the need to have an internal audit function in place.

4 COMMUNICATION WITH SHAREHOLDERS

The Group does not practice selective disclosure of information. Price-sensitive information and results are released via SGXNET on a timely basis for dissemination to shareholders and the public in accordance with the requirements of the SGX-ST.

Notices and explanatory notes for annual general meeting and special general meeting are advertised in the newspapers and are also made available on the SGX-ST's website.

Annual Report and Notice of Annual General Meeting are sent to all shareholders of the Company. At the Annual General Meeting, shareholders are given opportunities to communicate their views on matters pertaining to the Group and to participate in the meeting. Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions.

The Chairman of each Board Committees as well as the external auditors will be available at the forthcoming Annual General Meeting to address any queries raised by shareholders.

5 DEALING IN SECURITIES

The Company has adopted an internal code applicable to Directors and key officers of the Company and its subsidiaries governing dealings in the Company's shares. All Directors and key officers of the Company and its subsidiaries who have access to unpublished price sensitive information are required to observe this code.

The Directors and key officers have been informed not to deal in the Company's shares at all times whilst in possession of unpublished price sensitive information and during the periods commencing at least one month prior to the announcement of the Company's full-year and half-year results.

6 INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of interested person transactions. All interested person transactions are subject to review by the Audit Committee. During the financial year ended 31 March 2010, there were no interested person transactions entered into by the Company which were more than S$100,000. The Company does not have a shareholders' mandate for interested person transactions.

7 MATERIAL CONTRACTS

No material contracts were entered into between the Company or any of its subsidiary companies involving the interests of the CEO, a Director or controlling shareholder during the financial year ended 31 March 2010.

Risk Assessment and Management

Although no framework will prevent or preclude all risks, errors or irregularities, the Board has put in place a framework to enable Management to identify and manage those essential risks of the respective businesses and divisions.

The following are the major exposures of the Group:

Financial Risk
The Group is exposed to a variety of financial risks, viz. foreign exchange, interest rate and liquidity risks. The identification and management of such risks are set out in note 3 to the consolidated financial statements.

Operational Risk
Inherent in all business activities, is the potential for financial loss and business instability arising from failures in internal controls, operational processes or the system that supports them.

To minimize exposure to such risks, the Group has in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework which encompasses operational and financial reporting.

The Group also reviews risk transfer mechanism such as insurance to insure against risk and to determine insurance levels which are appropriate in terms of cost of cover and risk profiles of the businesses in which it operates.

Competition Risk
The interactive entertainment industry is highly competitive. The demand for the Group's products and services is susceptible to changes in customer preference and economic conditions. Such risks cannot be entirely eliminated, however, the Group recognizes that it has to continually improve its products and services and develop its markets and brand presence.

Investment Risk
All major investments are subject to vigorous scrutiny to ensure that they meet the relevant criteria rates of return, taking into consideration all relevant risk factors such as operating currency and liquidity risks.

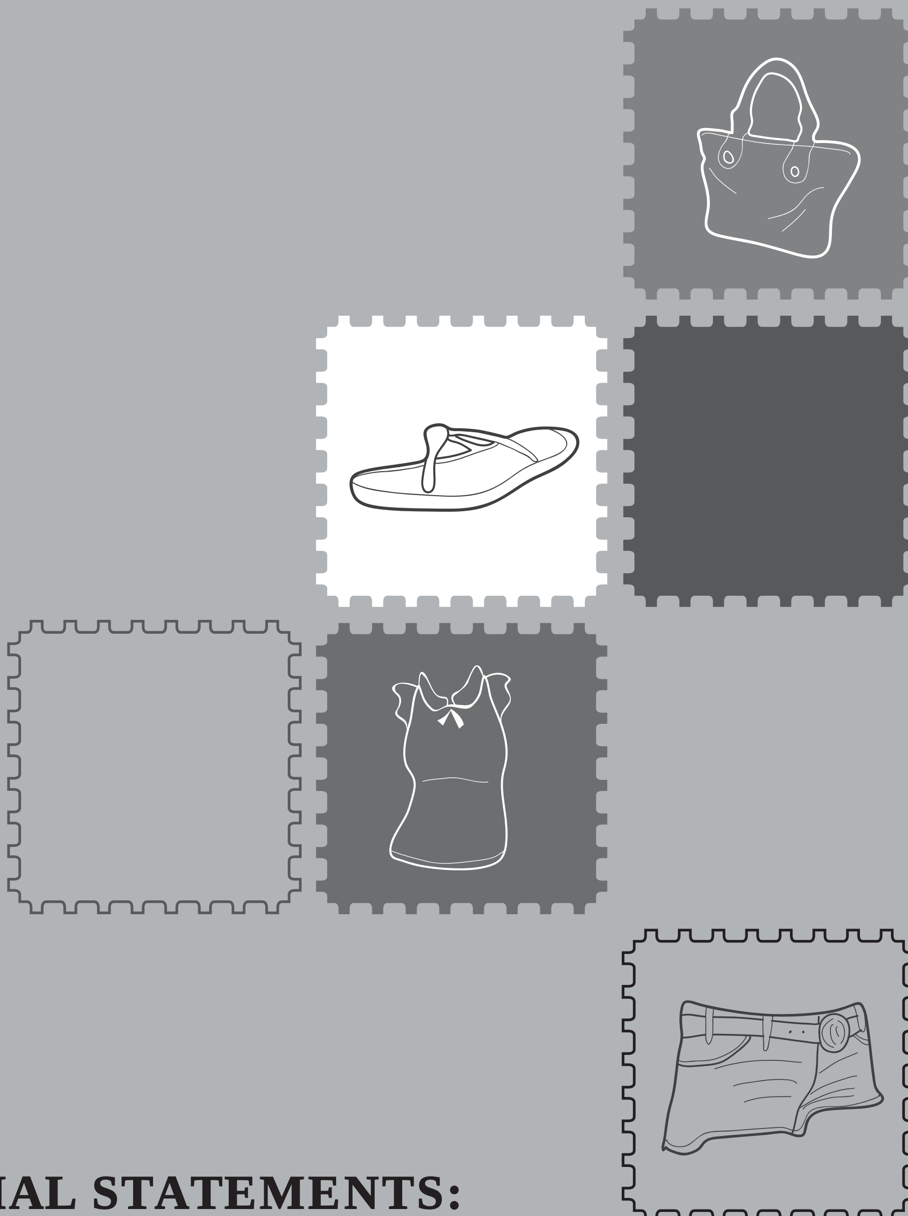
Compliance and Legal Risk
Compliance risk arises from a failure or inability to comply with the laws and regulations, applicable to various operations. Non-compliance may lead to fines, public reprimands, enforced suspension of operations or withdrawal of license to operate. The responsibility to ensure compliance with applicable laws and regulations lies with the respective operating division heads.

Legal risk includes risks arising from actual or potential violations of law or regulation, inadequate documentation, failure to protect the Group's property etc.The Group identifies and manages legal risk through consulting external legal advisors.

Personnel Risk
The Group depends on the key personnel to deliver consistent high quality services to the clients. The business and growth prospects may be severely disrupted if the Group loses their services. To this end, the Group has set a general guideline for recruitment, promotion and compensation to ensure that the key personnel and employees are competitively rewarded and incentives are accorded based on the performance of the Group and the individual.

Other Risk
The Group may be exposed to the risk of requiring additional financing to fund acquisitions or capital expenditures and investments in projects that it intended to undertake in the future. Additional equity financing may result in dilution of shareholders' interest. The Group may also face the risk whereby additional debt financing includes conditions that would restrict the Group's freedom to operate its business.

The Group is committed and believes that its future growth depends on the ability to expand, hence, contributing to the growth of shareholders' value in the long term. All possible financing and projects undertaken are fully reviewed and considered before endorsing and embarking any funding arrangement and / or investment.



FINANCIAL STATEMENTS:

Directors' Report

For the year ended 31 March 2010

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 March 2010 and the balance sheet of the Company as at 31 March 2010.

Directors

The directors of the Company in office at the date of this report are as follows:

Executive Directors
Michael Ng Lai Yick
Samuel Lin Jr (Appointed on 24 June 2010)

Non-executive Director
Ramani Muniyandi (Resigned on 23 July 2009)

Non-executive Independent Directors
Daniel Wong Chu Kee
John Lim Yew Kong
Cheong Chow Yin

Mr Cheong Chow Yin and Mr Samuel Lin Jr. retire in accordance with Bye-law 86 and Bye-law 85 (2) of the Company's Bye-laws respectively and, being eligible, offer themselves for re-election.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 29 to the consolidated financial statements.

Change of Company name

The Company changed its name from 'NeteLusion Limited' to 'The Style Merchants Limited' on 25 May 2010 to align its name with the Group's new strategy to diversify into the People's Republic of China (the "PRC") the fashion retail and lifestyle consumer product business, after the year ended 31 March 2010.

Results for the year

The consolidated loss after income tax attributable to the members of the Company for the year was US$1,799,000 (2009: US$5,519,000).

Reserves

Details of the movements in reserves of the Group and of the Company during the year are set out in note 15 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 14 to the consolidated financial statements.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 23 to 25.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share or debentures of the Company or its related corporations, except for those set out below:

	Company (Ordinary shares of US$0.01 each)			
	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31 March 2010	At 31 March 2009	At 31 March 2010	At 31 March 2009
Michael Ng Lai Yick	**–**	–	**19,597,500**	19,597,500
Daniel Wong Chu Kee	**1,912,500**	1,912,500	**–**	–
	1,912,500	1,912,500	**19,597,500**	19,597,500

(b) Details of the directors' interests in options to subscribe for ordinary shares of the Company are set out under "Share options" on pages 23 to 25.

(c) The directors' interests in the share capital of the Company as at 21 April 2010 were the same as at 31 March 2010.

Share options

The NeteLusion Share Option Scheme (the "Scheme"), approved by shareholders of the Company on 24 May 2000, allows employees, including directors of the Company, to take up options to subscribe for the shares in the Company subject to the terms and conditions stipulated herein. The Scheme expired on 23 May 2010. The expiry of the Scheme shall be without prejudice to the rights accrued to options which have been granted and accepted.

Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or a multiple thereof), at any time, subject to the following:

(1) Options granted at market price: the option period will commence after the first anniversary of the offer date.

(2) Options granted at discount: the option period will commence on the second anniversary of the offer date.

Provided always that all options shall be exercised before the tenth anniversary of the relevant offer or such earlier date as may be determined by the Compensation Committee, failing which all unexercised options (or, where options are partially exercised, any unexercised part of such options) shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Share options (Continued)

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the Scheme to subscribe for ordinary shares of the Company or related corporations, except as set out below:

		Number of unissued ordinary shares of US$0.01 each under options held by directors				
Name of director	**Exercise price (US$)**	**Options granted since commencement of the Scheme and balance at 1 April 2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31 March 2010**
Daniel Wong Chu Kee	0.1	250,000	–	–	–	**250,000**
	0.3	250,000	–	–	–	**250,000**
	0.4	100,000	–	–	–	**100,000**
	0.7	30,000	–	–	–	**30,000**
	0.9	30,000	–	–	–	**30,000**
Cheong Chow Yin	0.1	250,000	–	–	–	**250,000**
	0.3	75,000	–	–	–	**75,000**
John Lim Yew Kong	0.1	250,000	–	–	–	**250,000**
	0.3	75,000	–	–	–	**75,000**
	0.7	45,000	–	–	–	**45,000**
	0.8	45,000	–	–	–	**45,000**
		1,400,000	–	–	–	**1,400,000**

None of the directors of the Company has exercised any options granted since commencement of the Scheme.

(b) The table below sets out the participants who receive five per cent (5%) or more of the total number of options under the Scheme.

Name of participant	**Aggregate options outstanding at 1 April 2009**	**Options granted during the year**	**Aggregate options granted since commencement of the Scheme to the end of the year**	**Aggregate options exercised since commencement of the Scheme to end of the year**	**Aggregate options outstanding at 31 March 2010**
Samuel Lin Jr.	550,000	–	550,000	–	**550,000**
Daniel Wong Chu Kee (Director)	660,000	–	660,000	–	**660,000**
Mandy Ho Nga Yee	550,000	–	550,000	–	**550,000**
Ignatius Cheng Kwok Lap	300,000	–	300,000	–	**300,000**
Tay Kin Hock	230,000	–	230,000	–	**230,000**
John Lim Yew Kong (Director)	415,000	–	415,000	–	**415,000**
Richard Cui Di	500,000	–	500,000	–	**500,000**
Cheong Chow Yin (Director)	325,000	–	325,000	–	**325,000**
	3,530,000	–	3,530,000	–	**3,530,000**

Share options (Continued)

(c) The Scheme is administered by the Compensation Committee comprising the following members: Mr John Lim Yew Kong (Chairman), Mr Cheong Chow Yin and Mr Daniel Wong Chu Kee.

(d) Details of share options granted to the employees, including directors of the Company, pursuant to the Scheme during the year ended 31 March 2010 are as follows:

	Number of unissued ordinary shares of US$0.01 each under options				
Exercise price (US$)	Balance at 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 March 2010
0.1	2,160,000	–	–	(150,000)	**2,010,000**
0.3	1,000,000	–	–	–	**1,000,000**
0.4	200,000	–	–	–	**200,000**
0.7	460,000	–	–	–	**460,000**
0.8	365,000	–	–	–	**365,000**
0.9	95,000	–	–	–	**95,000**
	4,280,000	–	–	(150,000)	**4,130,000**

There were no options granted to participants who are controlling shareholders of the Company and their associates during the financial year.

There were no options granted at a discount during the financial year.

There were no options granted to any director or employee of the parent company and its subsidiaries during the financial year.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying consolidated financial statements and in this report.

Independent auditor

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers Hong Kong who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Michael Ng Lai Yick
Executive Chairman

Daniel Wong Chu Kee
Deputy Chairman

25 June 2010

Statements by Directors

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 28 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and of the results of the business, cash flows, and changes in shareholders' equity of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board

Michael Ng Lai Yick
Executive Chairman

Daniel Wong Chu Kee
Deputy Chairman

25 June 2010

Independent Auditor's Report

To the Shareholders of The Style Merchants Limited

(formerly known as NeteLusion Limited)
(incorporate in Bermuda limited liability)

We have audited the consolidated financial statements of The Style Merchants Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 71, which comprise the consolidated balance sheet as of 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with Section 90 of the Companies Act 1981 of Bermuda. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 March 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 June 2010

Consolidated Balance Sheet

(All amounts in US dollars in thousands unless otherwise stated)
As at 31 March 2010

	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	5	**–**	–
Property, plant and equipment	6	**–**	–
Interests in associates	7	**–**	12
		–	12
Current assets			
Inventories	9	**16**	27
Trade receivables	10	**35**	41
Deposits, prepayments and other receivables	11	**194**	144
Cash and cash equivalents	12	**2,556**	2,324
		2,801	2,536
Total assets		**2,801**	2,548
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	**1,804**	1,504
Reserves	15	**(511)**	44
		1,293	1,548
Minority interest		**–**	–
Total equity		**1,293**	1,548
LIABILITIES			
Current liabilities			
Trade payables		**8**	18
Other payables and accruals	13	**1,500**	982
Total liabilities		**1,508**	1,000
Total equity and liabilities		**2,801**	2,548

The notes on pages 33 to 71 are an integral part of these consolidated financial statements.

Consolidated Income Statement

(All amounts in US dollars in thousands unless otherwise stated)

For the year ended 31 March 2010

	Note	2010	2009
Revenue	26	**2,144**	1,478
Cost of sales	16	**(1,001)**	(987)
Gross profit		**1,143**	491
Administrative expenses	16	**(1,878)**	(2,077)
Other operating expenses	16	**(1,060)**	(2,281)
Provision for impairment of non-current assets	5, 6	**–**	(1,677)
Operating loss		**(1,795)**	(5,544)
Finance income - bank interest income	19	**6**	25
Loss before income tax		**(1,789)**	(5,519)
Income tax expense	20	**(10)**	–
Loss for the year		**(1,799)**	(5,519)
Attributable to:			
Equity holders of the Company		**(1,799)**	(5,519)
Minority interest		**–**	–
		(1,799)	(5,519)
Basic loss per share (US cents)	22	**(1.16)**	(3.67)
Diluted loss per share (US cents)	22	**(1.16)**	(3.67)

The notes on pages 33 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(All amounts in US dollars in thousands unless otherwise stated)

For the year ended 31 March 2010

	2010	2009
Loss for the year	**(1,799)**	(5,519)
Other comprehensive income/(loss):		
Currency translation differences	**17**	(27)
Total comprehensive loss for the year	**(1,782)**	(5,546)
Total comprehensive loss attributable to:		
- equity holders of the Company	**(1,782)**	(5,546)
- minority interest	**–**	–
	(1,782)	(5,546)

The notes on pages 33 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in US dollars in thousands unless otherwise stated)

For the year ended 31 March 2010

	Note	2010	2009
Cash flows from operating activities			
Cash used in operations	23	**(1,282)**	(2,849)
Income tax paid		**(10)**	–
Net cash used in operating activities		**(1,292)**	(2,849)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	**(31)**	(35)
Proceeds from sale of property, plant and equipment		**5**	10
Acquisition of an associate		**–**	(5)
Repayment of amount due from an associate		**–**	6
Net cash used in investing activities		**(26)**	(24)
Cash flows from financing activities			
Interest received	19	**6**	25
Proceeds from issue of shares - net of expenses	14(a)	**1,527**	–
Net cash generated from financing activities		**1,533**	25
Net increase/(decrease) in cash and cash equivalents		**215**	(2,848)
Cash and cash equivalents at beginning of the year		**2,324**	5,199
Effect of exchange rate changes on cash and cash equivalents		**17**	(27)
Cash and cash equivalents at end of the year	12	**2,556**	2,324

The notes on pages 33 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in US dollars in thousands unless otherwise stated)

For the year ended 31 March 2010

	Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained profits/ (accumulated losses)	Minority interest	Total equity
Balance at 1 April 2008	1,504	5,345	217	–	7,066
Comprehensive loss					
Loss for the year	–	–	(5,519)	–	(5,519)
Other comprehensive loss					
Exchange differences	–	(27)	–	–	(27)
Total comprehensive loss	–	(27)	(5,519)	–	(5,546)
Transaction with owners					
Share-based compensation	–	28	–	–	28
Balance at 31 March 2009	1,504	5,346	(5,302)	–	1,548
Balance at 1 April 2009	**1,504**	**5,346**	**(5,302)**	**-**	**1,548**
Comprehensive loss					
Loss for the year	**-**	**-**	**(1,799)**	**-**	**(1,799)**
Other comprehensive loss					
Exchange differences	**-**	**17**	**-**	**-**	**17**
Total comprehensive income/(loss)	**-**	**17**	**(1,799)**	**-**	**(1,782)**
Transactions with owners					
Issue of new shares for cash (note 14(a))	**300**	**1,227**	**-**	**-**	**1,527**
Transfer (note 15(a))	**-**	**(1,957)**	**1,957**	**-**	**-**
	300	**(730)**	**1,957**	**-**	**1,527**
Balance at 31 March 2010	**1,804**	**4,633**	**(5,144)**	**-**	**1,293**

The notes on pages 33 to 71 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in US dollars in thousands unless otherwise stated)

For the year ended 31 March 2010

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1 General information

The Style Merchants Limited (formerly known as NeteLusion Limited) was incorporated in Bermuda on 24 January 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (the "Bermuda Act"). The address of its registered office is Clarendon House, 2 Church Street Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 29 to the consolidated financial statements.

The Company has its primary listing on the Singapore Exchange Securities Trading Limited.

These consolidated financial statements are presented in thousand of units of United States dollars (US$'000), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 June 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention.

On 1 December 2008, the Company entered into a conditional sale and purchase agreement for the purchase of the entire issued and paid-up share capital of Agni Inc Pte. Ltd. ("Proposed Acquisition"). On 31 March 2009, the Company entered into a conditional sale and purchase agreement with an independent third party for the sale of the entire issued and paid-up share capital of NeteLusion (Hong Kong) Limited ("NHKL") and its subsidiaries (collectively, "Disposal Group"), for a consideration of S$2,000,000 (or equivalent to approximately US$1,333,000) (the "Proposed Divestment"). The completion of these two transactions is conditional, inter alia, upon the delivery of a duly executed Proposed Acquisition and Proposed Divestment by 30 June 2009.

The Disposal Group is classified as held for sale as of 31 March 2009, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". In view of this, the Disposal Group was measured at the lower of its carrying amount and fair value less costs to sell, and a provision for impairment loss of property, plant and equipment amounting to US$134,000 was made as of 31 March 2009.

As the Disposal Group represented a substantial part of the Group except the assets and liabilities of the Company, the financial effects of the Disposal Group have not been separately disclosed in the consolidated balance sheet as of 31 March 2009 and for the year then ended.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Proposed Acquisition was not duly executed by 30 June 2009. In view of this, the Proposed Acquisition and the Proposed Divestment were withdrawn. Accordingly, the Disposal Group ceased to be classified as held for sale, and it was re-measured at the lower of its carrying amount prior to it being classified as held for sale and its recoverable amount as of 31 March 2010. No adjustments were made as a result of re-measurement.

During the year, there is loss of US$1,799,000 (2009: US$5,519,000), negative operating cash flows of US$1,292,000 (2009: US$2,849,000), and cash and cash equivalents of US$2,556,000 as at 31 March 2010 (2009: US$2,324,000). The Group has performed an assessment on its ability to continue its operations as a going concern for the next twelve months from the balance sheet date. The assessment has considered the management's plans on new business initiatives, cost control measures and the funds available from the right issue of which details are set out in note 30 to the consolidated financial statements. Based on the assessment, directors are of the opinion that the Group will be able to meet its obligations as and when they fall due. Accordingly, the consolidated financial information was prepared on a going concern basis, which assumes, among other things, the realization of assets and satisfaction of liabilities as and when they fall due.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Changes in accounting policy and disclosures

(a) The following standards, amendments and interpretations are mandatory for the year ended 31 March 2010 which are relevant to the Group's operations:

IAS 1 (revised), 'Presentation of consolidated financial statements'

IAS 1 (revised) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7, 'Financial instruments: disclosures'

The amendment to IFRS 7 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

(All amounts in US dollars in thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

IFRS 8, 'Operating segments'

IFRS 8 replaces IAS 14 'Segment reporting, and aligns segment reporting with the requirements of the US standard SFAS 131 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in changing the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker for making strategic decisions.

(b) The following standards, amendments and interpretations to existing standards have been issued but are not yet effective for the year ended 31 March 2010 and have not been early adopted by the Group:

IFRS 1 (Revised)	'First-time adoption of HKFRS', effective for annual periods beginning on or after 1 July 2009
IFRS 3 (Revised)	'Business combination', effective for annual periods beginning on or after 1 July 2009
IFRS 9	'Financial Instruments' effective for annual periods beginning on or after 1 January 2013
IAS 24 (Revised)	'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011
IAS 27 (Revised)	'Consolidated and separate consolidated financial statements', effective for annual periods beginning on or after 1 July 2009
Amendment to IAS 32	'Classification of Rights Issues', effective for annual periods beginning on or after 1 February 2010
Amendment to IAS 39	'Financial Instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009
Amendment to IFRIC 14	'Prepayment to Minimum Funding Requirements', effective for annual periods beginning on or after 1 January 2011
IFRIC 17	'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009
IFRIC 18	'Transfer of Assets from Customers', effective for annual periods beginning on or after 1 July 2009
IFRIC 19	'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010
Amendment to IFRS 1	'Additional Exemptions for First-time Adopters` effective for annual periods beginning on or after 1 January 2010
Amendment to IFRS 2	'Group Cash-settled Share-based Payment Transactions', effective for annual periods beginning on or after 1 January 2010

Certain IASB's improvements to IFRS published in April 2009 and May 2010 by IASB.

The Group has commenced an assessment of the impact of these new standards, amendments to standards or interpretations listed above but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have a significant impact on its results of operations and financial position.

2 Summary of significant accounting policies (Continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement (note 2.6).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests resulting in goodwill, being the excess of consideration paid over the relevant share acquired of the carrying value of net assets of the subsidiary, are recorded in the consolidated balance sheet; or resulting in negative goodwill, being the excess of the relevant share acquired of the carrying value of net assets of the subsidiary over consideration paid, are recognized directly in the consolidated income statement.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss (note 2.7).

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associates equals or exceeds its interests in the associates, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in interest in associates are recognized in the consolidated income statement.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	20% - 33%
Furniture and fixtures	20% - 33%
Office equipment	20% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating expenses in the consolidated income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversable. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill identified according to operating segment.

(b) Development cost of multimedia products

Development cost of multimedia products is stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the development cost of multimedia products over their estimated useful lives of 2 years.

2.7 Impairment of investments in subsidiaries, interests in associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial instruments

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables, deposits and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.10 and 2.11).

2 Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. They are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis, comprises all direct costs of purchase. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement within other operating expenses. When the trade and other receivables are uncollectible, they are written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognized initially as fair value and subsequently measured as amortized cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Pension obligations

Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (Continued)

2.15 Employee benefits (Continued)

(b) Share-based compensation benefits

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(d) Bonus plan

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

2 Summary of significant accounting policies (Continued)

2.16 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Online games income

The Group receives subscription fees from distributions for the sale of game points. The distribution of game points to the end users typically is made by sale of pre-paid cards, in physical or virtual form. All subscription fees are deferred when received and revenue is recognized based on the actual usage of game points by the end users.

(b) Sales of goods

Revenue from the sale of goods is recognized on the transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 Summary of significant accounting policies (Continued)

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Board of Directors of the Company provides guidance for overall risk management which seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by the senior management of the Group under policies approved by the Board of Directors of the Company. The senior management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group operates in different countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Malaysia ringgit, Philippine peso, Renminbi, Singapore dollars and Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The group companies manage their foreign exchange risks by engaging in transactions mainly in the respective functional currencies to the extent possible. The management is responsible for managing the net position in each foreign currency.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through operating liabilities denominated in the relevant foreign currencies.

At 31 March 2010, if United States dollars had weakened/strengthened by 10% against Malaysia ringgit with all other variables held constant, loss for the year would have been US$11,000 (2009: US$9,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, cash and cash equivalents which are denominated in Malaysia ringgit.

At 31 March 2010, if United States dollars had weakened/strengthened by 10% against Philippine peso with all other variables held constant, loss for the year would have been US$2,000 (2009: US$11,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of trade receivables, trade payables, cash and cash equivalents which are denominated in Philippines peso.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 March 2010, if United States dollars had weakened/strengthened by 10% against Renminbi with all other variables held constant, loss for the year would have been US$13,000 (2009: US$25,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, cash and cash equivalents which are denominated in Renminbi.

At 31 March 2010, if United States dollars had weakened/strengthened by 10% against Singapore dollars with all other variables held constant, loss for the year would have been US$168,000 (2009: US$45,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, and cash and cash equivalents which are denominated in Singapore dollars.

Considering Hong Kong dollars are pegged with United States dollars, management is of the opinion that the currency exposure arising from these transactions is not significant to the Group. As a result, loss for the year is unlikely to be materially sensitive to movement in Hong Kong dollar/United States dollar exchange rates.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to the receivables. For cash and cash equivalents, deposits are only placed with reputable banks. For credit exposures to the receivables, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. See note 10 and note 12 for further disclosure on credit risk.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these debtors.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management of the Group aims at maintaining sufficient cash and cash equivalents.

As at 31 March 2009 and 2010, all of the Group's financial liabilities have the contractual maturity date of less than 1 year.

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio of zero. The gearing ratio at 31 March 2009 and 2010 was zero as the Group has no borrowing or debt.

3.3 Fair value estimation

The carrying values less impairment provision of trade receivables, deposits, other receivables, trade payables, other payables and accruals are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Disposal Group held for sale

On 1 December 2008, the Company entered into a conditional sale and purchase agreement for the purchase of the entire issued and paid-up share capital of Agni Inc Pte. Ltd. ("Proposed Acquisition"). On 31 March 2009, the Company entered into a conditional sale and purchase agreement with an independent third party for the sale of the entire issued and paid-up share capital of NeteLusion (Hong Kong) Limited ("NHKL") and its subsidiaries (collectively, "Disposal Group"), for a consideration of S$2,000,000 (or equivalent to approximately US$1,333,000) (the "Proposed Divestment"). The completion of these two transactions is conditional, inter alia, upon the delivery of a duly executed Proposed Acquisition and Proposed Divestment by 30 June 2009.

The Disposal Group is classified as held for sale on 31 March 2009, in accordance with the accounting policy stated in note 2.17. In view of this, the Disposal Group was measured at the lower of its carrying amount and fair value less costs to sell, and a provision for impairment loss of property, plant and equipment amounting to US$134,000 was made as of 31 March 2009.

The Proposed Acquisition was not duly executed by 30 June 2009. In view of this, the Proposed Acquisition and the Proposed Divestment were withdrawn. Accordingly, the Disposal Group ceased to be classified as held for sale, and it was re-measured at the lower of its carrying amount prior to it being classified as held for sale and its recoverable amount as of 31 March 2010. No adjustments were made as a result of re-measurement.

(All amounts in US dollars in thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6(a). The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates (note 5(a)).

A full impairment charge of US$1,543,000 arose in the CGU of game service segment in Mainland China in last year, resulting in the carrying amount of the CGU being written down to its recoverable amount.

If the estimated growth rate used in the value-in-use calculation had been 10% higher than management's estimates (for example, 0% instead of -10%), the Group would still have recognized a full impairment against goodwill in last year.

5 Intangible assets

	Group		
	Development cost of multimedia products	Goodwill	Total
At 1 April 2008			
Cost	220	6,874	7,094
Accumulated amortization and impairment	(220)	(5,331)	(5,551)
Net book value	–	1,543	1,543
Year ended 31 March 2009			
Opening net book value	–	1,543	1,543
Impairment charge (note a)	–	(1,543)	(1,543)
Net book value	–	–	–
At 31 March 2009			
Cost	**220**	**6,874**	**7,094**
Accumulated amortization and impairment	**(220)**	**(6,874)**	**(7,094)**
Net book value	**–**	**–**	**–**
Year ended 31 March 2010			
Opening net book value	**–**	**–**	**–**
Impairment charge	**–**	**–**	**–**
Net book value	**–**	**–**	**–**
At 31 March 2010			
Cost	**220**	**6,874**	**7,094**
Accumulated amortization and impairment	**(220)**	**(6,874)**	**(7,094)**
Net book value	**–**	**–**	**–**

(All amounts in US dollars in thousands unless otherwise stated)

5 Intangible assets (Continued)

Note:

(a) Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and business segment.

A segment-level summary of the goodwill allocation is presented as below:

	Group		
	Game Services segment, Mainland China	Game Development segment, Mainland China	Total
At 31 March 2009 and at 31 March 2010			
Cost	3,243	3,631	6,874
Accumulated impairment	(3,243)	(3,631)	(6,874)
	-	-	-

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

The impairment charge for the year ended 31 March 2009 arose in the CGU of game service segment in Mainland China which had been adversely affected due to keen competition and did not yield the expected results. Based on the results of the value-in-use calculations, the directors are of the opinion that provision for impairment loss of US$1,543,000 should be recorded for the year ended 31 March 2009. The key assumptions used for value-in-use calculations were as follows:

Gross margin	30%
Growth rate	-10%
Discount rate	5.25%

Management determined budgeted gross margin based on past performance and its expectations of market development and weighted average growth rates based on its expectations of current market trend. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

(All amounts in US dollars in thousands unless otherwise stated)

6 Property, plant and equipment

	Group			
	Leasehold improvements	Furniture and fixtures	Office equipment	Total
At 1 April 2008				
Cost	23	20	448	491
Accumulated amortization and impairment	(10)	(17)	(263)	(290)
Net book value	13	3	185	201
Year ended 31 March 2009				
Opening net book value	13	3	185	201
Additions	–	4	31	35
Disposals	–	–	(36)	(36)
Depreciation	(4)	(4)	(58)	(66)
Impairment (note 4(a))	(9)	(3)	(122)	(134)
Net book value	–	–	–	–
At 31 March 2009				
Cost	**23**	**24**	**316**	**363**
Accumulated amortization and impairment	**(23)**	**(24)**	**(316)**	**(363)**
Net book value	**–**	**–**	**–**	**–**
Year ended 31 March 2010				
Opening net book value	**–**	**–**	**–**	**–**
Additions	**–**	**–**	**31**	**31**
Disposals	**–**	**–**	**–**	**–**
Depreciation	**–**	**–**	**(31)**	**(31)**
Net book value	**–**	**–**	**–**	**–**
At 31 March 2010				
Cost	**23**	**24**	**349**	**396**
Accumulated amortization and impairment	**(23)**	**(24)**	**(349)**	**(396)**
Net book value	**–**	**–**	**–**	**–**

(All amounts in US dollars in thousands unless otherwise stated)

7 Interests in associates

	Group 2010	Group 2009
Interests in associates		
At 1 April	**12**	–
Acquisition	**–**	12
Impairment loss	**(12)**	–
At 31 March	**–**	12
Amount due from an associate	**–**	64
Provision for impairment	**–**	(64)
	–	–

The Group's interests in associates were as follows:

Name	Place of incorporation and kind of legal entity	Particular of registered capital	Assets	Liabilities	Effective interest held
2009					
NeteLusion Media Limited	The British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	23	212	45%
上海敏鑒數碼科技有限公司	The PRC, limited liability company	Registered capital of RMB500,000	13	1	20%

The associates were inactive during the years ended 31 March 2009 and 2010.

NeteLusion Media Limited and 上海敏鑒數碼科技有限公司 were wound up during the year ended 31 March 2010. The Group has not recognized losses amounting to US$1,000 (2009: profit of US$1,000). The accumulated losses not recognized were US$45,000 (2009: US$44,000).

8 Financial instruments by category

	Group 2010	Group 2009
Loans and receivables		
Trade receivables (note 10)	**35**	41
Deposits and other receivables	**128**	103
Cash and cash equivalents (note 12)	**2,556**	2,324
Total	**2,719**	2,468

(All amounts in US dollars in thousands unless otherwise stated)

8 Financial instruments by category (Continued)

	Group	
	2010	**2009**
Other financial liabilities		
Trade payables	**8**	18
Other payables and accruals (note 13)	**1,500**	982
Total	**1,508**	1,000

9 Inventories

	Group	
	2010	**2009**
Finished goods, at cost	**16**	27

The cost of inventories recognized as expense and included in "cost of sales" amounted to US$200,000 (2009: US$518,000).

No inventories are carried at net realizable value at 31 March 2010 (2009: nil).

10 Trade receivables

	Group	
	2010	**2009**
Trade receivables	**189**	195
Less: provision for impairment of trade receivables	**(154)**	(154)
Trade receivables, net	**35**	41

Trade receivables that are less than three months past due are not considered for impairment. As of 31 March 2010, there are US$1,000 trade receivables aged 90-180 days that were past due but not impaired (2009. Nil). These relate to an independent customer for whom there is no recent history of default.

(All amounts in US dollars in thousands unless otherwise stated)

10 Trade receivables (Continued)

The credit quality of trade receivables that are not past due can be assessed by reference to historical information about counterparty default rates:

	Group	
	2010	**2009**
Counterparties without external credit rating		
Group 1	**34**	41
Group 2	**–**	–
	34	41

Group 1 - existing customers with no defaults in the past.
Group 2 - existing customers with some defaults in the past. All defaults were fully recovered.

As of 31 March 2010, trade receivables of US$154,000 (2009: US$154,000) were impaired and full provisions were made accordingly. The individually impaired receivables were past due over an extended period of time and the Group considers that they may not be recoverable.

The carrying amounts of the Group's trade receivables after impairment provision are denominated in the following currencies:

	Group	
	2010	**2009**
Malaysia ringgit	**2**	2
Philippine peso	**20**	24
Renminbi	**1**	–
Singapore dollars	**12**	15
	35	41

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

Included in the balances, approximately US$2,000 (2009: US$2,000) and US$1,000 (2009: Nil) represented receivables denominated in Malaysia ringgit and Renminbi respectively. The remittance of these receivables out of Malaysia and the People's Republic of China (the "PRC") is subject to the foreign exchange control restriction imposed by Malaysian and the PRC governments respectively.

11 Deposits, prepayments and other receivables

	Group	
	2010	**2009**
Rental and utilities deposits	**84**	75
Prepayments and other receivables	**110**	69
	194	144

(All amounts in US dollars in thousands unless otherwise stated)

12 Cash and cash equivalents

	Group		Company	
	2010	**2009**	**2010**	**2009**
Cash at bank and on hand	**2,094**	1,058	**17**	11
Short-term bank deposits	**462**	1,266	**–**	–
	2,556	2,324	**17**	11
Maximum exposure to credit risk	**2,550**	2,319	**17**	11

The effective interest rate on short-term bank deposits was 1.08% (2009: 0.70%) and these deposits have an average maturity of 7 to 30 days.

Included in the balances, approximately US$138,000 (2009: US$257,000) and US$424,000 (2009: 206,000) represented Renminbi and Malaysia ringgit deposits placed with banks in the PRC and Malaysia respectively by the Group. The remittance of these funds out of the PRC and Malaysia is subject to the foreign exchange control restrictions imposed by the PRC and Malaysia governments respectively.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	**2009**	**2010**	**2009**
Hong Kong dollars	**103**	119	**9**	2
Malaysia ringgit	**424**	206	**–**	–
Philippine Peso	**27**	36	**–**	–
Renminbi	**138**	257	**–**	–
Singapore dollars	**1,686**	435	**–**	–
United States dollars	**178**	1,271	**8**	9
	2,556	2,324	**17**	11

The credit quality of cash at bank and short-term bank deposits can be assessed by reference to Moody's ratings:

	Group		Company	
	2010	**2009**	**2010**	**2009**
AA	**8**	54	**–**	–
A	**2,433**	2,094	**17**	11
BAA	**82**	171	**–**	–
BA	**27**	–	**–**	–
	2,550	2,319	**17**	11

(All amounts in US dollars in thousands unless otherwise stated)

13 Other payables and accruals

	Group	
	2010	**2009**
Trade deposits from customers	**157**	17
Accrued operating expenses	**1,343**	965
	1,500	982

14 Share capital

	Group and Company	
	2010	**2009**
Authorized:		
5,000,000,000 (2009: 5,000,000,000) ordinary shares of US$0.01 each (2009: US$0.01 each)	**50,000**	50,000
Issued and fully paid:		
180,422,582 (2009: 150,422,582) ordinary shares of US$0.01 each (2009: US$0.01 each)	**1,804**	1,504

	Issued ordinary shares	
	Number of shares (thousands)	**Amount**
At 1 April 2008 and 2009	150,423	1,504
Issue of new shares for cash (note a)	30,000	300
At 31 March 2010	**180,423**	**1,804**

Note:

(a) On 3 February 2010, 30,000,000 shares of US$0.01 each were placed at an issue price of S$0.075 each for an aggregate cash consideration of S$2,250,000 (or equivalent to approximately US$1,589,000). The net proceeds amounted to US$1,527,000 after deducting the incremental costs directly attributable to the placement.

(All amounts in US dollars in thousands unless otherwise stated)

14 Share capital (Continued)

(b) Share options

The NeteLusion Share Option Scheme (the "Scheme") approved by shareholders of the Company on 24 May 2000, allow employees, including directors of the Company, to take up options to subscribe for the shares in the Company subject to the terms and conditions stipulated herein. The Scheme expired on 23 May 2001. The expiry of the Scheme shall be without prejudice to the rights accrued to options which have been granted and accepted.

Options shall only be exercisable, in whole or in part (provided that an option may be exercised in part only in respect of 1,000 shares or a multiple thereof), at any time, subject to the following:

(1) Options granted at market price: the option period will commence after the first anniversary of the offer date.

(2) Options granted at discount: the option period will commence on the second anniversary of the offer date.

Provided always that all options shall be exercised before the tenth anniversary of the relevant offer or such earlier date as may be determined by the Compensation Committee, failing which all unexercised options (or, where options are partially exercised, any unexercised part of such options) shall immediately lapse and become null and void and a participant shall have no claim against the Company.

Movement in the number of share options outstanding and their related exercise prices are as follows:

	Number of unissued ordinary shares of US$0.01 each under options					
Exercise price US$	Outstanding balance at 1 April 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding balance at 31 March 2010	Exercisable at 31 March 2010
0.1	**2,160,000**	–	–	(150,000)	2,010,000	2,010,000
0.3	**1,000,000**	–	–	–	1,000,000	1,000,000
0.4	**200,000**	–	–	–	200,000	200,000
0.7	**460,000**	–	–	–	460,000	460,000
0.8	**365,000**	–	–	–	365,000	365,000
0.9	**95,000**	–	–	–	95,000	95,000
	4,280,000	–	–	(150,000)	4,130,000	4,130,000

(All amounts in US dollars in thousands unless otherwise stated)

14 Share capital (Continued)

(b) Share options (Continued)

Exercise price US$	Number of unissued ordinary shares of US$0.01 each under options: Outstanding balance at 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding balance at 31 March 2009	Exercisable at 31 March 2009
0.1	2,410,000	–	–	(250,000)	2,160,000	2,160,000
0.3	1,000,000	–	–	–	1,000,000	1,000,000
0.4	200,000	–	–	–	200,000	200,000
0.7	480,000	–	–	(20,000)	460,000	460,000
0.8	365,000	–	–	–	365,000	365,000
0.9	115,000	–	–	(20,000)	95,000	95,000
	4,570,000	–	–	(290,000)	4,280,000	4,280,000

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price (US$)	Number of options 2010	2009
22 October 2010	0.9	**95,000**	95,000
22 October 2010	0.7	**95,000**	95,000
15 January 2011	0.8	**170,000**	170,000
15 January 2011	0.7	**170,000**	170,000
18 September 2011	0.8	**195,000**	195,000
18 September 2011	0.7	**195,000**	195,000
30 March 2013	0.3	**1,000,000**	1,000,000
06 July 2013	0.4	**200,000**	200,000
26 June 2017	0.1	**2,010,000**	2,160,000
		4,130,000	4,280,000

(All amounts in US dollars in thousands unless otherwise stated)

14 Share capital (Continued)

(b) Share options (Continued)

Pursuant to the transitional provision of HKFRS 2, the fair value of services received from employees in return for share options granted after 7 November 2002 and not yet vested on 1 January 2005 are measured by reference to the fair value of share options granted. The amount is to be expensed in the consolidated income statement over the vesting period of the share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Key assumptions at the dates of grant are as follow:

Risk-free interest rate (%)	2.83
Expected option life (years)	10
Expected dividend rate (%)	0
Expected volatility (%)	193

The expected volatility is based on the historical volatility. The expected option life used has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No share based compensation costs was recognized during the year (2009: US$28,000) (note 17).

15 Reserves

	Group						
	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compen-sation reserve	Retained earnings/ (accumulated losses)	Total
At 1 April 2008	3,439	(221)	4	1,957	166	217	5,562
Exchange differences	–	–	(27)	–	–	–	(27)
Share-based compensation	–	–	–	–	28	–	28
Loss for the year	–	–	–	–	–	(5,519)	(5,519)
At 31 March 2009	3,439	(221)	(23)	1,957	194	(5,302)	44
At 1 April 2009	**3,439**	**(221)**	**(23)**	**1,957**	**194**	**(5,302)**	**44**
Exchange differences	**–**	**–**	**17**	**–**	**–**	**–**	**17**
Issue of shares for cash	**1,227**	**–**	**–**	**–**	**–**	**–**	**1,227**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,799)**	**(1,799)**
Transfer (note a)	**–**	**–**	**–**	**(1,957)**	**–**	**1,957**	**–**
At 31 March 2010	**4,666**	**(221)**	**(6)**	**–**	**194**	**(5,144)**	**(511)**

(All amounts in US dollars in thousands unless otherwise stated)

15 Reserves (Continued)

	Company				
	Share premium	Contributed surplus	Share-based compensation reserve	Accumulated losses	Total
At 1 April 2008	3,439	1,957	166	–	5,562
Share-based compensation	–	–	28	–	28
Loss for the year	–	–	–	(5,736)	(5,736)
At 31 March 2009	3,439	1,957	194	(5,736)	(146)
At 1 April 2009	**3,439**	**1,957**	**194**	**(5,736)**	**(146)**
Issue of shares for cash	**1,227**	**-**	**-**	**-**	**1,227**
Loss for the year	**-**	**-**	**-**	**(1,592)**	**(1,592)**
Transfer (note a)	**-**	**(1,957)**	**-**	**1,957**	**-**
At 31 March 2010	**4,666**	**-**	**194**	**(5,371)**	**(511)**

Note

(a) Pursuant to the directors' approval on 30 September 2009, a balance of contributed surplus of US$1,957,000 was applied to set off the accumulated losses of the Company as at that date.

16 Expenses by nature

	Group	
	2010	2009
Cost of inventories sold	**200**	518
Other cost of sales	**801**	469
Auditors' remuneration		
- auditor of the Company	**130**	124
- other auditors	**8**	7
Depreciation of property, plant and equipment (note 6)	**31**	66
Employee benefits expenses (note 17)	**1,878**	2,077
(Gain)/loss on disposal of property, plant and equipment	**(5)**	19
Impairment of interests in associates	**12**	–
Reverse of impairment of amount due from an associate	**-**	(6)
Operating lease rentals for land and buildings	**260**	263
Other expenses	**624**	1,808
Total cost of sales, administrative expenses and other operating expenses	**3,939**	5,345

(All amounts in US dollars in thousands unless otherwise stated)

17 Employee benefits expenses (including directors' emoluments)

	Group	
	2010	**2009**
Wages, salaries and fees	**1,696**	1,845
Pension costs - defined contribution plans	**71**	76
Staff welfare expenses	**111**	128
Share-based compensation	**–**	28
	1,878	2,077

18 Directors' emoluments

	Group	
	2010	**2009**
Fees	**84**	83
Share-based compensation	**–**	10
	84	93

The directors' fees disclosed above were paid to three Non-Executive Independent Directors.

No directors waived any emoluments during the year (2009: nil). No emoluments or incentive payments have been paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office during the year (2009: nil).

19 Finance income

	Group	
	2010	**2009**
Bank interest income	**6**	25

20 Income tax expense

Income tax expense is provided at the prevailing rates on the estimated assessable profit of group companies operating in respective countries.

(All amounts in US dollars in thousands unless otherwise stated)

20 Income tax expense (Continued)

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the places of operation of the Company and its subsidiaries as follows:

	Group	
	2010	**2009**
Loss before income tax	**(1,789)**	(5,519)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**(143)**	(549)
Income not subject to tax	**–**	(4)
Expenses not deductible for tax purposes	**2**	389
Utilization of previously unrecognized tax losses	**(69)**	(47)
Tax losses not recognized	**220**	211
Income tax expense	**10**	–

Deferred income tax assets are recognized for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of US$7,894,710 (2009: US$6,753,000) to carry forward against future taxable income. Included in the unrecognized tax losses, US$6,213,325 (2009: US$5,192,000) have no expiry date and the balance will expire at various dates up to and including 2015.

The domestic tax rate ranged from 0% to 25% for the year (2009: 0% to 25%).

No income tax was provided for in last year as the Group has no estimated assessable; whereas the income tax provided in current year is caused by a change in the profitability of the Group's subsidiaries.

21 Net foreign exchange (gains)/losses

The exchange differences recognized in the consolidated income statement are included as follows:

	Group	
	2010	**2009**
Other operating (income)/expenses	**(33)**	115

(All amounts in US dollars in thousands unless otherwise stated)

22 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	Group	
	2010	**2009**
Loss attributable to equity holders of the Company (US'000)	**1,799**	5,519
Weighted average number of ordinary shares in issue (thousands)	**155,108**	150,423
Basic loss per share (US cents)	**1.16**	3.67

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

In 2010 and 2009, the conversion of all potential ordinary shares from the share options granted by the Company would have an anti-dilutive effect on the loss per share, and the loss per share on fully diluted basis was calculated on the weighted average number of ordinary shares of 155,107,514 (2009: 150,422,582).

	Group	
	2010	**2009**
Loss attributable to equity holders of the Company (US'000)	**1,799**	5,519
Weighted average number of ordinary shares in issue (thousands)	**155,108**	150,423
Adjustment for share options (thousands)	**–**	–
Weighted average number of ordinary shares for diluted loss per share (thousands)	**155,108**	150,423
Diluted loss per share (US cents)	**1.16**	3.67

(All amounts in US dollars in thousands unless otherwise stated)

23 Notes to the consolidated cash flow statement

	Year ended 31 March	
	2010	**2009**
Loss before income tax	**(1,789)**	(5,519)
Adjustments for:		
Depreciation of property, plant and equipment (note 6)	**31**	66
(Gain)/loss on disposal of property, plant and equipment	**(5)**	19
Reversal of impairment of amount due from an associate	**–**	(6)
Impairment of interest in associates	**12**	–
Provision for impairment loss of goodwill (note 5)	**–**	1,543
Provision for impairment of property, plant and equipment (note 6)	**–**	134
Share-based compensation	**–**	28
Interest income (note 19)	**(6)**	(25)
Changes in working capital (excluding the offsets of exchange differences on consolidation):		
Inventories	**11**	(7)
Receivables	**(44)**	455
Payables	**508**	463
Net cash used in operation	**(1,282)**	(2,849)

24 Banking facilities

At 31 March 2010 and 2009, the Group had no bank overdrafts and trade finance facilities.

25 Operating lease commitments

At 31 March 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2010	**2009**
Not later than one year	**242**	192
Later than one year and not later than five years	**153**	212
	395	404

26 Revenue and segment information

Revenue recognized during the year are as follows:

	Group	
	2010	**2009**
Sales of goods	**73**	277
Online games income	**2,071**	1,201
	2,144	1,478

(a) Segment information

The chief operating decision-marker has been identified as the Executive Chairman. The Executive Chairman reviews the Group's internal reporting in order to assess performance and allocate resources. The executive director has determined the operating segments based on these reports.

The Group has two reportable segments as follows:

(i) Game Development and Operation

This reportable segment is engaged in development and operation of online games.

(ii) Game Services

This reportable segment is engaged in distribution of game point cards and development of in-game advertising technologies and operation of a service platform from exchange of virtual items for online games.

Expenses incurred for investment management, which does not constitute a separate reportable segment, are classified under "unallocated".

The Executive Chairman assesses the performance of the operating segments based on a number of measures, including losses before interest, tax, depreciation, amortization and impairment loss ("LBITDA") and loss before income tax. The measurement basis of LBITDA excludes the effects of non-recurring expenses from the operating segments, such as provision for impairment of non-current assets and reversal of provision.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group's reportable segments are strategic business units that offer different products and services. Transactions between reportable segments are accounted for on arm's length basis.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade receivables, deposits, prepayments and other receivables, and cash and cash equivalents.

(All amounts in US dollars in thousands unless otherwise stated)

26 Revenue and segment information (Continued)

(a) Segment information (Continued)

Segment liabilities comprise trade payables, other payable and accruals. Capital expenditure comprises additions to property, plant and equipment.

	2010			
	Game Development and Operation	Game Services	Unallocated	Group Total
Total gross segment revenue	1,829	381	–	2,210
Inter-segment revenue	–	(66)	–	(66)
Revenue	1,829	315	–	2,144
LBITDA	(1,011)	(84)	(657)	(1,752)
Depreciation of property, plant and equipment	(30)	–	(1)	(31)
Impairment of interests in associates	–	–	(12)	(12)
Operating loss	(1041)	(84)	(670)	(1,795)
Finance income	5	–	1	6
Loss before income tax	(1036)	(84)	(669)	(1,789)
Income tax expense				(10)
Loss for the year				(1,799)
Segment assets	790	45	1,966	2,801
Segment liabilities	(1,255)	(19)	(234)	(1,508)
Capital expenditure	(30)	–	(1)	(31)

(All amounts in US dollars in thousands unless otherwise stated)

26 Revenue and segment information (Continued)

(a) Segment information (Continued)

	2009			
	Game Development and Operation	Game Services	Unallocated	Group Total
Total gross segment revenue	870	631	–	1,501
Inter-segment revenue	–	(23)	–	(23)
Revenue	870	608	–	1,478
LBITDA	(1,583)	(725)	(1,499)	(3,807)
Depreciation of property, plant and equipment	(51)	(8)	(7)	(66)
Reversal of provision for impairment of amount due from an associate	–	–	6	6
Provision for impairment of non-current assets	(130)	(1,543)	(4)	(1,677)
Operating loss	(1,764)	(2,276)	(1,504)	(5,544)
Finance income	2	2	21	25
Loss before income tax	(1,762)	(2,274)	(1,483)	(5,519)
Income tax expense				–
Loss for the year				(5,519)
Segment assets	713	44	1,779	2,536
Interests in associates	–	–	12	12
Segment liabilities	(462)	(38)	(500)	(1,000)
Capital expenditure	(18)	(17)	–	(35)

(All amounts in US dollars in thousands unless otherwise stated)

27 Related party transactions

Other than those as described in other notes to the consolidated financial statements, no other major transactions with related parties are entered during the year. The following major transactions were carried out with key management:

Key management compensation

	Group	
	2010	**2009**
Wages, salaries and fee	**433**	369
Pension costs – defined contribution plans	**16**	11
Share-based compensation	**–**	21
Staff welfare expenses	**18**	23
	467	424
Comprise amounts paid to:		
- Directors of the Company	**84**	93
- Other key management personnel	**383**	331
	467	424

28 Fair value of financial instruments

The carrying amounts of the following financial assets and liabilities approximate to their fair values: cash and cash equivalents, trade receivables and payables, deposits, other receivables, other payables and accruals.

(All amounts in US dollars in thousands unless otherwise stated)

29 Financial information of the Company

(a) Balance sheet of the Company

	As at 31 March	
	2010	**2009**
ASSETS		
Non-current assets		
Investments in subsidiaries (note (i))	**–**	–
Current assets		
Amount due from a subsidiary (note (ii))	**1,270**	1,347
Other receivables & prepayment	**6**	–
Cash and bank balances (note 12)	**17**	11
	1,293	1,358
Total assets	**1,293**	1,358
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital (note 14)	**1,804**	1,504
Reserves (note 15)	**(511)**	(146)
Total equity	**1,293**	1,358
Total equity and liabilities	**1,293**	1,358

Note:

		As at 31 March	
		2010	**2009**
(i)	Investments in subsidiaries		
	At cost	**5,283**	5,283
	Less: Provision for impairment of investments	**(5,283)**	(5,283)
		–	–

Particulars of the principal subsidiaries as at 31 March 2010 are set forth on pages 68 to 70.

		As at 31 March	
		2010	**2009**
(ii)	Amount due from a subsidiary [1]	**24,965**	23,783
	Less: Provision for impairment of receivable	**(23,695)**	(22,436)
		1,270	1,347

[1] Amount due from a subsidiary is unsecured, interest-free and repayable on demand. The carrying value of amount due from a subsidiary is a reasonable approximation of its fair value.

(All amounts in US dollars in thousands unless otherwise stated)

29 Financial information of the Company (Continued)

(b) Financial Performance of the Company

	2010	2009
Administrative and operating expenses	**(333)**	(646)
Provision for impairment of amount due from a subsidiary	**(1,259)**	(5,090)
Loss for the year	**(1,592)**	(5,736)

(c) Cash Flows of the Company

	2010	2009
Net cash used in operating activities	**(339)**	(624)
Net cash used in investing activities	**(1,182)**	(2,935)
Net cash generated from financing activities	**1,527**	–
Net increase/(decrease) in cash and cash equivalents	**6**	(3,559)

(d) Particulars of principal subsidiaries as at 31 March 2010

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/registered and fully paid capital	Interest held	
				2010 %	2009 %
Held by the Company					
NeteLusion Hong Kong Limited (note (a))	Investment holding and provision of management services	Hong Kong	3,000,000 ordinary shares of HK$1 each	**100**	100
Held by the subsidiaries					
Beijing NeteLusion Fortune Company Limited (note (b))	Operation of games	The PRC	Registered and fully paid capital of US$500,000	**100**	100
Beijing Whoyo E-Commerce Co. Ltd (note (b) and (d))	Operation of games	The PRC	Registered and fully paid capital of RMB3,000,000	**100**	100
Deswick Technology Limited (note (a))	Inactive	Hong Kong	2 ordinary shares of HK$1 each	**100**	100

(All amounts in US dollars in thousands unless otherwise stated)

29 Financial information of the Company (Continued)

(d) Particulars of principal subsidiaries as at 31 March 2010 (Continued)

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/registered and fully paid capital	Interest held	
				2010 %	**2009 %**
Eaglegame International Limited (note (c))	Operation of games	The British Virgin Island	Issued and fully paid capital of US$200,000	**100**	100
Eaglegame (Singapore) Pte. Ltd. (note (b))	Operation of games	Singapore	Issued and fully paid capital of S$1	**100**	100
Eaglegame (M) Sdn.Bhd (note (b))	Operation of games	Malaysia	100 ordinary shares of MYR1 each	**80**	80
Game Services Limited (note (c))	Inactive	The British Virgin Islands	1 ordinary shares of US$1 each	**100**	100
Media Kingdom Limited (note (c))	Investment holding	The British Virgin Islands	100 ordinary shares of US$1 each	**100**	100
NeteLusion Fortune Holdings Limited (note (c))	Investment holding	The British Virgin Islands	5,000,000 ordinary shares of US$0.1 each	**100**	100
NeteLusion Games Holdings Limited (note (c))	Investment holding	The British Virgin Islands	100 ordinary shares of US$1 each	**80**	80
NeteLusion Games (Hong Kong) Limited (note (a))	Inactive	Hong Kong	2 ordinary shares of US$1 each	**80**	80
NeteLusion Games (M) Sdn. Bhd. (note (b))	Distribution of online game cards	Malaysia	10,000 ordinary shares of MYR1 each	**80**	80
NeteLusion International Limited (note (c))	Investment holding	The British Virgin Islands	1 ordinary share of US$1 each	**100**	100

(All amounts in US dollars in thousands unless otherwise stated)

29 Financial information of the Company (Continued)

(d) Particulars of principal subsidiaries as at 31 March 2010 (Continued)

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/registered and fully paid capital	Interest held	
				2010 %	2009 %
Qian Wan Technology Co., Ltd. (note (b) and (d))	Inactive	The PRC	Registered and fully paid capital of RMB1,000,000	**80**	80
Xiamen Media Kingdom Company Limited (note (b))	Inactive	The PRC	Registered and fully paid capital of US$200,000	**100**	100
Xiamen Pioneer Soft Company Limited (note (b))	Development of online games and other multimedia products	The PRC	Registered and fully paid capital of HK$5,000,000	**80**	80

Note:

(a) Statutory financial statements are audited by PricewaterhouseCoopers Hong Kong.

(b) Statutory financial statements are not audited by members of PricewaterhouseCoopers.

(c) Financial statements are not required to be audited under the laws of the country of incorporation.

(d) Beijing Whoyo E-Commerce Co. Ltd. and Qian Wan Technology Co. Ltd. are domestic enterprises in the PRC owned legally by the PRC nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that operating and financing activities of these companies are ultimately controlled by the Group. Under these arrangements, the Group is also entitled to substantially all of the operating profits and residual interests generated by these companies which will be transferred to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. Further, the Group can receive the cash flow derived from the operations of these companies through the levying of service and licensing fees. The ownership interests in these companies have also been pledged by the legal owners of these companies to the Group. On this basis, the directors regard these companies as subsidiaries of the Group.

The Board and Audit Committee are satisfied that the appointment of different auditors for different subsidiaries would not compromise the standard and effectiveness of the audit of the Group as PricewaterhouseCoopers have reviewed the consolidated financial statements of these subsidiaries during the audit of the Group.

30 Events after the reporting period

(a) Acquisition of Retail Resources Management Limited ("RRM")

In May 2010, the Company acquired 1,077 ordinary shares of RRM, a company engaged in the design and marketing of lifestyle consumer products. The acquisition represented a 55% shareholding of RRM at a consideration of S$2,750,000 (or equivalent to US$1,960,000) being satisfied by the allotment and issue of 36,666,667 new ordinary shares of the Company.

Upon acquisition, a convertible and interest-free loan would be made available by the Company to RRM at a principal amount of S$2,000,000 (or equivalent to US$1,400,000) payable in two tranches, with the option to convert into RRM shares in two years. As of the date of these consolidated financial statements, S$1,000,000 (or equivalent to US$700,000) was drawn down by RRM.

According to IFRS 3 "Business Combination", the Company is required to measure the cost of acquisition at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. As of the date of these consolidated financial statements, the valuation of purchase consideration was ongoing and has yet to be finalized.

IFRS 3 further requires the Company to recognize the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. Accordingly, the Company has undertaken the purchase price allocation which involved allocating the purchase consideration to the identifiable assets and liabilities acquired so as to record those assets and liabilities at their fair values at the acquisition date. As of the date of these consolidated financial statements, the purchase price allocation was ongoing and has yet to be finalized. The historical carrying values of the acquired assets and liabilities in their predecessor businesses at the acquisition date are not disclosed, as the directors are of the opinion that it is impracticable to disclose these values as they are provisional and the Company is in the process of assessing the carrying values of these assets and liabilities and also the valuation of the convertible loan.

Had the valuation of purchase consideration and the purchase price allocation been completed, the fair values of the assets and liabilities acquired and the amount of goodwill (being the excess of the purchase consideration over the fair value of the share of identifiable net assets acquired) would be disclosed in the consolidated financial statements.

(b) Rights issue

On 24 June 2010, the Company announced that a right issue was undertaken in respect of 651,300,000 rights shares at an issue price of S$0.015 each, which raised an amount of S$9,769,500 (or equivalent to US$6,630,000)

Shareholding Statistics

As at 9 June 2010

Authorized share capital	:	US$50,000,000
Issued and fully paid-up capital	:	US$2,170,892
Class of shares	:	Ordinary share of US$0.01 each
Voting rights	:	One vote per share

Distribution of shareholdings

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	4,113	59.83	868,201	0.40
1,000 – 10,000	2,307	33.56	7,412,139	3.41
10,001 – 1,000,000	435	6.33	28,566,692	13.16
1,000,001 and above	19	0.28	180,242,217	83.03
Total	6,874	100	217,089,249	100.00

Treasury Shares

The Company does not hold any Treasury Shares.

Substantial shareholders

As recorded in the Register of Substantial Shareholders

		No. of shares of US$0.01 each fully paid			
Name	**Note**	**Direct Interest**	**%**	**Deemed interest**	**%**
Asia Pacific Links Limited		42,000,000	19.35	–	–
Anthony Soh Guan Cheow	1	–	–	42,000,000	19.35
Glorious Mountain Limited	2	–	–	19,597,500	9.03
Michael Ng Lai Yick	3	–	–	19,597,500	9.03
Pacific Finance Services Limited	4	–	–	13,352,060	6.15
Universal Chinese Limited	5	–	–	23,699,592	10.92
Samuel Lin Jr.	6	760,000	0.35	23,699,592	10.92

Notes:

1. Anthony Soh Guan Cheow is deemed to be interested in 42,000,000 shares held in the name of Asia Pacific Links Limited.
2. Glorious Mountain Limited has a beneficial interest in 19,597,500 shares held in the name of DBS Vickers Securities (S) Pte Ltd.
3. Michael Ng Lai Yick is deemed to be interested in 19,597,500 shares held by Glorious Mountain Limited.
4. Pacific Finance Services Limited has a beneficial interest in 13,352,060 shares held in the name of Lim & Tan Securities Pte Ltd.
5. Universal Chinese Limited has a beneficial interest in 32,800 shares held in the name of DBS Vickers Securities (S) Pte Ltd. and 10,314,732 shares held in name of Lim & Tan Securities Pte Ltd. Universal Chinese Limited is also deemed to be interested in 13,352,060 shares held by Pacific Finance Services Limited, which are registered in the name of a nominee.
6. Samuel Lin Jr. is deemed to be interested in 10,347,532 shares held by Universal Chinese Limited, and 13,352,060 shares held by Pacific Finance Services Limited through Universal Chinese Limited. These shares are all registered in the name of nominees.

Twenty largest shareholders

No.	Name	No.of shares	%
1	Lim & Tan Securities Pte Ltd	42,224,634	19.45
2	Asia Pacific Links Limited	42,000,000	19.35
3	DBS Vickers Securities (S) Pte Ltd	39,400,188	18.15
4	UOB Kay Hian Pte Ltd	20,761,500	9.56
5	OCBC Securities Private Ltd	8,969,590	4.13
6	Mok Chu Leung Terry	4,455,000	2.05
7	Cheung Man Kwong	3,563,255	1.64
8	Philip Securities Pte Ltd	2,099,750	0.97
9	Wong Siew Lan	2,006,000	0.92
10	Lim Chye Huat	2,000,000	0.92
11	HSBC (Singapore) Nominees Pte Ltd	1,966,000	0.91
12	Daniel Wong Chu Kee	1,912,500	0.88
13	Terence Derek Lai Chin Siew	1,808,000	0.83
14	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,300,000	0.60
15	CIMB Securities (Singapore) Pte Ltd	1,242,000	0.57
16	Chong Keng Ban @ Johnson Chong	1,218,000	0.56
17	Sng Yeow Hong	1,137,000	0.52
18	Citibank Nominees Singapore Pte Ltd	1,118,800	0.52
19	Yiu Ho Yin Rosita	1,060,000	0.49
20	Ngin Choon Kay	825,000	0.38
	TOTAL :	181,067,217	83.40

Percentage of shareholdings held by the public

As at 9 June 2010, approximately 63.83% of the issued ordinary shares of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of THE STYLE MERCHANTS LIMITED (Formerly known as NeteLusion Limited) (the "Company") will be held at Function room: Tanglin 1, Level 1 @ Hotel Lobby, SEAMEO Regional Language Centre, 30 Orange Grove Road, Singapore 258352 on Friday, 30 July 2010 at 10:30am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 March 2010 together with the Auditors' Report thereon.

   (Resolution 1)

2. (i) To re-elect Mr Samuel Lin Jr., a Director retiring pursuant to Bye-law 85(2) of the Company's Bye-laws.

   (Resolution 2)

   (ii) To re-elect Mr Cheong Chow Yin, a Director retiring by rotation pursuant to Bye-law 86 of the Company's Bye-laws.

   Mr Cheong Chow Yin will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Cheong will also remain a member of the Nominating and Compensation Committees.

   (Resolution 3)

3. To approve the payment of Directors' fees of S$120,000 for the year ending 31 March 2011 (2010: S$120,000).

   (Resolution 4)

4. To re-appoint PricewaterhouseCoopers, Hong Kong as the Company's Auditor and to authorise the Directors to fix their remuneration.

   (Resolution 5)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Share Issue Mandate**

   That pursuant to Rule 806 of the Listing Manual of the SGX-ST, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares in the capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares shall be based on the total number of issued shares of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities; and

(d) the fifty percent (50%) limit in sub-paragraph (a) above may be increased to one hundred percent (100%) for issues of Shares and/or Instruments by way of a renounceable rights issue where shareholders of the Company are entitled to participate in the same on a pro-rata basis.
[See Explanatory Note (i)]

(Resolution 6)

7. **Discount for Non Pro-rata Share Issue**

(a) That subject to and conditional upon the passing of Ordinary Resolution 6 above, approval be and is hereby given to the Directors of the Company at any time to issue, other than on a pro-rata basis to shareholders of the Company, Shares (excluding convertible securities), at an issue price for each Share which shall be determined by the Directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than twenty percent (20%) to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of SGX-ST); and

(b) That (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (ii)]

(Resolution 7)

By Order of the Board

Yvonne Choo
Hazel Chia Luang Chew
Company Secretaries

Singapore, 7 July 2010

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro-rata basis.

This increased limit of up to one hundred percent (100%) (referred to in sub-paragraph (d)) for renounceable pro-rata rights issue will be effective up to 31 December 2010 pursuant to SGX-ST's news release of 19 February 2009. The increased limit is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and, provides a status report on the use of proceeds in the annual report.

(ii) Ordinary Resolution 7 proposed in item 7 above, if passed, will enable Directors to issue, on a non pro-rata basis, new Shares (excluding convertible securities) at a discount of not more than twenty percent (20%) to the weighted average market price of the Company's shares, determined in accordance with the requirements of SGX-ST. The discount in issue price of non pro-rata new Share issue is one of the interim measures announced by the SGX to accelerate and facilitate the listed issuers' fund-raising efforts and will be in effect until 31 December 2010.

Notes:

1. A 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 Depositor wishes to appoint a proxy/proxies to attend the Annual General Meeting (the "Meeting"), then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, 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 Meeting.

3. If the Depositor is a corporation, then the Depositor Proxy Form must be executed under seal or the hand of its duly authorized officer or attorney and must be deposited at the office of the Singapore Share Transfer Agent, 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 Meeting.

Style Merchants

The Style Merchants Limited

(Company Registration No. 27671)

Singapore Correspondence Address :
36 Robinson Road, #17-01, City House, Singapore 068877

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

Tel: (852) 2168 3900

Fax: (852) 2562 9090