2011

Annual Report

Style Merchants

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 China 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

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Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors ("Board"), I would like to present The Style Merchants Limited's (the "Company") annual report for the financial year ended 31 March 2011 ("FY2011").

In the last financial year, subsequent to the acquisition of a ladies fashion company in May 2010, our strategic moves to diversify into fashion retail business in China were followed by a series of determined and aggressive corporate and operational activities. In June 2010, we successfully completed a rights issue and raised more than S$9 million to fund the expansion of the fashion retail operation. To strengthen our geographic coverage in East China region, we acquired the entire retail operation of an existing franchisee based in Shanghai. In March 2011, with the objective to consolidate the entire management and financial resources and focus on fashion retail, the Company disposed its online gaming business.

Operationally, we adopted a two-pronged sales strategy. In the major first tier cities such as Beijing, Shanghai, Hangzhou, Chongqing and Chengdu, we established a network of self-operated retail stores whereas in other provinces and cities, we recruited and partnered with franchisees to build up our nationwide footprints. We also embarked on a marketing and advertising program to further strengthen our brand image and promote our partnership with Ms Stefanie Sun as our product ambassador and designer.

At the end of last financial year, we managed 22 self-operated retail stores located in major department stores and shopping malls, as well as a network of 30 franchisees in various parts of China.

In this financial year, riding on the current momentum, we will forge ahead with competitive and broader range of product offerings, increased retail presence through our self-operated stores and franchisee network, and innovative marketing efforts.

Chairman's Statement

FY2011 had witnessed a decisive chapter for the Company. The transformation from an Internet-application to lifestyle consumer products business presented formidable challenges and multiplying expectations to the management team in terms of leadership and execution capabilities. Nevertheless, we firmly believe the market potentials and business opportunities in China will reward those who work hard, perform and succeed. With the continued support from our shareholders and business partners and relentless commitment and dedication from our team of staff, the Company will continuously strive to achieve new breakthroughs and milestones.

On behalf of the Board, I would like to extend a warm welcome to our new Directors, Dr Flora Zeta Pavlova Cheong-Leen and Mr Stuart Pang Seng Tuong, whose experience and expertise are invaluable to the growth and prosperity of the Company, and to thank Mr Cheong Chow Yin for his past contribution and service during his tenure on the Board.

Lastly, I would like to take this opportunity to express my sincere gratitude and thanks to our shareholders, customers and business partners for their patience and continued support over the past year.

Yours Sincerely,

Michael Ng Lai-Yick
Executive Chairman

Financial Review

The Group's revenue from continuing operations of US$3.05 million was attributable to the newly acquired Fashion Retail division.

The Group's gross profit from continuing operations was US$1.81 million with a gross profit ratio of 59%.

After accounting for the administrative and other operating expenses (excluding provision for impairment of non-current assets and net finance costs), the Group recorded a net loss of US$3.25 million for the continuing operations.

The Group disposed the gaming division during the year. The net loss of the discontinued operations decreased from US$1.23 million in FY2010 to US$1.02 million in FY2011, after taking into account the gain on disposal of the gaming division of US$354,000.

The net cash used in operating activities was US$5.39 million for FY2011. Cash used in investing activities was approximately US$1.08 million for FY2011 mainly for the purchase of equipment, intangible assets and cash outflow as a result of the disposal of gaming business. Cash generated from financing activities was mainly proceeds of US$6.86 million from Rights Issue in June 2010.

As a result, the Group's cash and cash equivalents increased from US$2.56 million at the beginning of the financial year to US$2.66 million as at 31 March 2011.

Operations Review

Fashion Retail Division

The Company aims to become a leading provider of lifestyle consumer products in China. With the completion of the acquisition of a 55% stake in Retail Resources Management Limited in May 2010, we installed a ladies fashion business with in-house design, outsourced manufacturing capabilities as well as a network of self-operated retail stores located in northern part of China.

Positioning our products at middle to high end market, our sales expansion strategy focused on (1) increased retail presence through self-operated stores in major and key cities of China, and (2) development of franchise network to cover other parts of China. Since May 2010, we gradually set up new stores in Beijing, Shanghai, Hangzhou, Chongqing and Chengdu. In September 2010, we acquired the retail operation of an existing franchisee based in China with the objective to expand rapidly into the East China region. At the same time, several existing stores in the northern region that did not perform or located in less strategic areas were replaced by new stores situated in major department stores and shopping malls in Beijing. By the end of March 2011, we increased the number of our self-operated stores from 12 in May 2010 to 22, with four in Chongqing and Chengdu tapping the emerging opportunities in Southwest region.

In addition to our self-operated stores, we also established a dedicated sales team to develop a franchise network and partner with experienced retail operators to capture the growing business in other parts of China. By March 2011, we already signed up 30 franchisees, 12 of them had opened retail shops and commenced business. This franchise network greatly increased our sales volume and reduced our capital investment in setting up physical outlets ourselves.

To complement our sales expansion strategy, we implemented an aggressive marketing, promotion and advertising plan. In September 2010, we organized major promotion events with the presence of Ms Stefanie Sun as our product ambassador and designer in Shanghai and Hangzhou, followed by two sales events in Shanghai targeting at existing and potential franchisees in December 2010 and March 2011. These events were characterized with special promotion to VIP customers, fashion shows and new season collection preview. Throughout the year, we also advertised and featured our products in major fashion magazines in Shanghai and Beijing as well as online websites and forums over the Internet.

Through diligent and relentless hard work, our products and design teams successfully launched 2010 Fall/Winter and 2011 Spring/Summer collections that were well received by our franchisees and customers. The solid foundation on our products and brand image is essential to our on-going efforts and activities to reinforce our market positioning and reputation.

With a guiding principle “Success through People”, we increased the entire team to 192 staff at the end of March 2011 to deal with the Group business expansion. We will continue to attract outstanding talents to join us and bring the company to new heights.

Operations Review

Online Gaming Division - discontinued operations

As a result of the diversification into lifestyle consumer products business, the online gaming operation maintained a pace of stable growth in FY2011. In January 2011, the Board decided to dispose this division due to limited resources and difficulty to turn around the historical loss-making situation.

GAME DEVELOPMENT AND OPERATION

Due to the increased popularity of online social network, our Game Development team was engaged in the development of 3-D social network casual games. Casual web games usually demand a development game cycle of 3 to 6 months and was characterized with lower development costs, less complicated game play and functions compared to the conventional MMORPG games. However, the life expectancy for a web game after launch and commercialization is typically 12 to 18 months whereas successful MMORPG game can last for 3 to 4 years.

Our Game Operation team remained focused on Southeast Asia and North America markets. The number of our registered players in these two regions well exceeded two and a half millions. In Southeast Asia, we operated "HighStreet5", one of the popular dancing and social interaction MMO games, and "Rappelz", a MMORPG games developed by a Korean game company and well received in over 30 countries worldwide. In North America, two online games "SHOWUP" and "Imperial Warriors" enjoyed stable growth in revenue and number of players.

GAME SERVICES

As a result of limited growth opportunities, the point card distribution business in Malaysia ceased operation in the second half of FY2011.

Business outlook

Entering into FY2012, the Company has become a pure lifestyle consumer products company, focusing on design, marketing and sales of ladies fashion wear. At the Board and senior management levels, we will invite seasoned and talented people with proven experience and expertise to participate in our expansion. At the managerial level, we have recruited and will continue to attract qualified and competent staff to implement and execute our strategies and plans. We understand we have to continuously raise our brand awareness and image, improve our product offerings, sales capabilities and internal efficiency. Only through outstanding product collections, high quality, competitive pricing and excellent customer service will ensure our survival, growth and success.

China, our primary market, has been and still is a favorable and attractive destination for investment and business expansion for lifestyle and fashion products due to increasing consumer spending, especially in the middle to high income groups. Our product positioning at middle to high end ladies wear presents a promising value proposition to our target customer group of age between 20 and 35, offering them fashion solutions for different occasions. Our sales strategy of self-operated stores and franchise network allows us to take on business opportunities throughout China. Through well coordinated and cautious execution, we are confident that we can deliver better performance year after year.

Group Structure

Style Merchants

Lifestyle Consumer Products

FASHION RETAIL

China

Online Game

(Discontinued operations)

GAME DEVELOPMENT AND OPERATION

North America, South East Asia

GAME SERVICES

South East Asia

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 leaving Lenovo in mid-1997, Mr Ng invested in a number of technology companies in mainland China. In 1999, he formed North 22 Group (now known as The Style Merchants 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 graduated with a Bachelor's Degree in Computing Science in 1980 from the Imperial College of Science and Technology in the United Kingdom.

Samuel Lin Jr. was appointed Executive Director of the Company on 24 June 2010. He was also appointed as Deputy Chairman of the Company on 30 May 2011 and was last re-elected a Director of the Company on 30 July 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 provider. 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.

Board of Directors

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 resigned as Deputy Chairman of the Company on 30 May 2011 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 (formerly known as ServiceOne Limited) ("S1"). Under his leadership, S1 became one of the largest independent service providers in China and 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.

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.

Stuart Pang Seng Tuong was appointed Non-executive Independent Director of the Company on 25 October 2010. Mr Pang is the founder and Managing Partner of Pinetree Capital Partners. Before setting up Pinetree Capital Partners, Mr Pang co-founded Westcomb Financial Group Ltd ("Westcomb") in 2000, the first boutique investment bank in Singapore focussing on cross-border IPOs. He helped transform Westcomb into a leading IPO manager in Singapore culminating in its own listing on the SGX in 2004. In 2004, Mr Pang founded Raintree Ventures Pte Ltd and from there he built a business in private equity fund management investing in more than 50 deals.

Mr Pang holds a B.S. Degree (Highest Honours) in Astro & Aeronautical Engineering from the University of Illinois at Urbana-Champaign under a scholarship from a Singapore Government-linked company and subsequently, under a double scholarship from the university, he obtained a M.S. Degree in Mechanical Engineering. He was the winner of the prestigious Sword-of-Honour as well as the Letter of Commendation, and held the rank of Major during his military service.

Board of Directors

Flora Zeta Pavlova Cheong-Leen (Hon.) Phd was appointed Non-executive Director of the Company on 10 November 2010 and was re-designated as Non-executive Independent Director on 30 May 2011. She is one of the Hong Kong's most acclaimed and dynamic entrepreneur, creative directors, TV producers and fashion designers. Dr Cheong-Leen has created award winning design collections, managed and hosted over 50 television productions especially with TV Broadcasts, Cable TV, Asia TV, Shanghai TV, Oriental TV, Phoenix TV, and worked as Image Director for clients including Nina Ricci, Conde Nast, French Vogue, Milan's, GRUPPO GFT Italy and Vidal Sassoon. She launched her first clothing line, Pavlova, in 1981. Pavlova was followed by the exotic Tian Art label, and now Flora Zeta haute couture collection, inspired by her own life and family roots.

Dr Cheong-Leen is currently the founder and CEO / Artistic Director of Eighth Element Management and Company Inc., 88 Amore Rice LLC., Pavlova (Holdings) Limited, Tian Art Foundation Ltd., Tian Art International Co., Ltd., Techno Artists Production Co., Ltd. and The Conservatory of International Style and Cultural Arts.

Dr Cheong-Leen has been a leader in many cultural and charitable organizations, including the Hong Kong Jockey Club, the Hong Kong Ballet, Hong Kong Council of Performing Arts, Arts for the Disabled Association, Hong Kong Civic Association, the Hong Kong Council of Early Childhood Education and Services, Hong Kong Community Chest, etc.

Dr Cheong-Leen has earned the World Outstanding Chinese Honorary Doctorate in 2007 and was awarded the World Outstanding Chinese Award in 2007 & the Ten Outstanding Young Persons' Award in 1990.

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 24 June 2011)			
	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	Karin Technology Holdings Limited	-	-
	Non-executive Independent Director	North Asia Resources Limited		
	Non-executive Independent Director	Radiance Group Limited		
Stuart Pang Seng Tuong	-	-	-	-
Flora Zeta Pavolva Cheong-Leen	-	-	-	-

Key Executives

Mandy Ho Nga Yee

She 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.

Kelvin Ho Kam Wing

He joined the Group in 2010 and is the Chief Executive Officer of the Fashion Retail division in China. 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 graduated with a Bachelor Degree in Art (major in Economics) in 1993 from the University of Winnipeg in Canada.

Jacky Wong Yuk Po

He joined the Group in 2011 as the Creative Director of the Fashion Retail division in China and is responsible for brand image, position and direction setting, product planning, design development and management, product marketing strategy and VM direction.

Mr Wong graduated with a Bachelor of Art in Design (Fashion Design with Visual Communication) from the School of Design, Hong Kong Polytechnic University in 2003. Right after the Graduation Fashion Show held in the Art Centre Hong Kong, he joined the Belgian high fashion brand as desinger. Later on, he decided to focus on the Chinese fashion market in his career, worked in several management positions, from design manager, brand manager, product director to creative director.

Corporate Information

Board of Directors
Michael Ng Lai Yick
(Executive Chairman)

Samuel Lin Jr.
(Executive Deputy Chairman)

Daniel Wong Chu Kee
(Non-executive Independent Director)

John Lim Yew Kong
(Non-executive Independent Director)

Stuart Pang Seng Tuong
(appointed on 25 October 2010)
(Non-executive Independent Director)

Flora Zeta Pavlova Cheong-Leen
(appointed on 10 November 2010)
(Non-executive Independent Director)

Cheong Chow Yin
(resigned on 25 October 2010)
(Non-executive Independent Director)

Audit Committee
Daniel Wong Chu Kee (Chairman)
John Lim Yew Kong
Stuart Pang Seng Tuong

Compensation Committee
John Lim Yew Kong (Chairman)
Daniel Wong Chu Kee
Stuart Pang Seng Tuong

Nominating Committee
John Lim Yew Kong (Chairman)
Stuart Pang Seng Tuong
Michael Ng Lai Yick

Company Secretaries
Yvonne Choo
Hazel Chia Luang Chew

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Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffless 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 of Directors (the "Board") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (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 specified.

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.

Board meetings are held quarterly to deliberate the Group's strategic policies including significant acquisitions and disposals, the annual budget and business performance. The Board also approves the Group's half yearly and annual results announcements for release to the Singapore Exchange Securities Trading Limited ("SGX-ST"). Additional Board meetings are also held, as and when required, to address significant transactions or issues that 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 the financial year ended 31 March 2011 ("FY2011") are summarized in the table below:

			Board Committee Meetings					
	Board of Directors 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 [1]	4	2	4	2	1	1	1	1
Samuel Lin Jr. [2]	4	3	–	–	–	–	–	–
Stuart Pang Seng Tuong [3]	4	2	4	2	–	–	–	–
Flora Zeta Pavlova Cheong-Leen [4]	4	2	–	–	–	–	–	–

Note 1: Mr Cheong Chow Yin resigned as Non-executive Independent Director, Chairman of Audit Committee and a member of the Nominating and Compensation Committees on 25 October 2010.

Note 2: Mr Samuel Lin Jr. was appointed Executive Director on 24 June 2010.

Note 3: Mr Stuart Pang Seng Tuong was appointed Non-executive Independent Director and a member of the Audit, Nominating and Compensation Committees on 25 October 2010.

Note 4: Dr Flora Zeta Pavlova Cheong-Leen was appointed Non-executive Director on 10 November 2010, and re-designated as Non-executive Independent Director on 30 May 2011.

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.

Directors are provided with updates or briefed on changes in the relevant laws and regulations, where appropriate, during Board meetings or at seminars/courses conducted by professional advisors to enable them to make well-informed decisions and to discharge their duties responsibly.

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.

Board Composition and Balance

As at the date of this report, the Board comprises six Directors, four of whom 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 to 10 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, namely Audit Committee, Compensation Committee and Nominating Committee, which provide independent overview of management. Membership in the different Board Committee is carefully managed to ensure that there is equitable distribution of responsibilities among Board members, so as to maximise 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 membership on Board Committees as at the date of this report are set out below:

Name of Directors	Board Membership	Board Committees Membership		
		Audit	Compensation	Nominating
Michael Ng Lai Yick	Executive Chairman	–	–	Member
Samuel Lin Jr.	Executive Deputy Chairman	–	–	–
Daniel Wong Chu Kee	Non-Executive Independent Director	Chairman	Member	–
John Lim Yew Kong	Non-Executive Independent Director	Member	Chairman	Chairman
Stuart Pang Seng Tuong	Non-Executive Independent Director	Member	Member	Member
Flora Zeta Pavlova Cheong-Leen	Non-Executive Independent Director	–	–	–

The Nominating Committee has reviewed the independence of each Director for FY2011 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. As there is adequate representation of Non-executive Independent Directors (more than one-third) on the Board, the Board is of the view that further reinforcement of Board independence through the separation of the roles of Chairman and CEO is deemed not necessary.

Mr Michael Ng Lai Yick is both the Executive Chairman and CEO. Notwithstanding that, there is no concentration of power as the Group is managed 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 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 the Group's policies and strategies and he is also one of the founding shareholders of the Group. The Board will, however, 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, two of whom 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 to assess the effectiveness of the Board and the contribution and performance of each Director.

The Nominating Committee held one meeting in FY2011 chaired by Mr John Lim Yew Kong, an Non-executive Independent Director not associated with any substantial shareholder.

The key functions of the Nominating Committee stipulated in its terms of reference are summarized as follows:

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

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

(c) Determines annually the independence of each Director;

(d) Reviews and recommends all new appointments to the Board;

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

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

The Nominating Committee also has in place a process for selection and appointment of new Directors. This process provides procedures for the identification of potential candidates, review of the candidates' skills, knowledge and experience, assessment of candidates' suitability and finally recommending their appointments for the Board's consideration.

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 the following Directors who will be retiring at the forthcoming Annual General Meeting, following a review of their performance and contributions:

(i) Mr John Lim Yew Kong
(ii) Mr Stuart Pang Seng Tuong
(iii) Dr Flora Zeta Pavlova Cheong-Leen

The Board has accepted the Nominating Committee's recommendation and accordingly, the above-named Directors will be offering themselves for re-election.

Board Performance

The Nominating Committee has adopted a formal process 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's 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 periodical performance reports and other financial statements. The Board is kept apprised of strategic business developments concerning the Company and the Group. Directors are provided with complete and adequate information and relevant documents prior to Board meetings and on an ongoing basis. Senior management is also invited to attend and make presentation 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.

All Directors have separate and independent access to the Company Secretaries and senior management.

The Company Secretary provides advisory, secretarial support and assistance to the Board and ensures adherence to Board procedures and relevant rules and regulations which are 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 FY2011 chaired by Mr John Lim Yew Kong.

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

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

Level and Mix of Remuneration

In setting the remuneration packages for Executive Directors and key management, the Compensation Committee will take into consideration the pay and employment conditions within the industry the Group operates and companies within the same business segment. The Compensation Committee also takes into account the Group's performance as well as the performance of the individual director and key management staff.

Non-executive Directors do not have service contracts with the Company and their terms are governed by the Company's Bye-laws. The 2 Executive Directors do not have service contracts with the Company and did not receive any Director's remuneration or fee during the financial year under review.

Directors' fees payable to the Non-executive and Non-executive Independent Directors are set in accordance with the Directors' fee policy adopted by the Company and in consideration of the contribution, effort, time incurred and responsibilities of the Non-executive and Non-executive Independent Directors.

Directors' fees are subject to the approval of shareholders at the Annual General Meeting. The Compensation Committee has recommended to the Board (i) an amount of S$15,652 as Director's fee for FY2011, payable to a Director appointed in November 2010, and (ii) an amount of S$160,000 as Directors' fees for the financial year ending 31 March 2012, to be paid quarterly in arrears. The Board will table these recommendations at the forthcoming Annual General Meeting for shareholders' approval.

The Company has in place a Style Merchants Employee Share Option Scheme 2010 (the "Scheme"), administered by the Compensation Committee. All Directors and employees are entitled to participate in the Scheme. Details of the Scheme are disclosed on pages 28 to 31 of the Annual Report.

Disclosure on Remuneration

A breakdown showing the level and mix of each Director's remuneration for FY2011 is set out as follows:

Remuneration band and name of Directors	Fees	Basic salary	Other benefits
US$337,000 and above (approximately equivalent to S$500,000 and above)			
NIL			
US$189,000 to below US$337,000 (approximately equivalent to S$250,000 – below S$500,000)			
NIL			
Below US$189,000 (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%	–	–
Samuel Lin Jr.	–	–	–
Stuart Pang Seng Tuong	100%	–	–
Flora Zeta Pavlova Cheong-Leen	100%	–	–

In FY2011, there were 5 key executives (who are not Directors of the Company) and the remuneration paid to these key executives of the Group is within the band of less than US$189,000 (approximately equivalent to below S$250,000). The proportions of fixed and variable income payable to these key executives are between 63.2% to 100% and 0% to 36.8% respectively. For competitive reasons, the Company is not disclosing the details of remuneration of each key executive.

There were no employees in the Company or the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds US$113,000 (approximately equivalent to S$150,000) during the financial year under review.

3 ACCOUNTABILITY AND AUDIT

Accountability

The Board provides shareholders with a detailed and balanced explanation and assessment of the Group's performance, financial position, and prospects through the Group's half-yearly and annual 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 detailed and balanced management accounts of the Group's performance on a monthly basis. The Board is also briefed on the Group's performance, financial position and prospects on a quarterly basis during the Board meetings and as and when 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 FY2011 and the Chairman of the Audit Committee is Mr Daniel Wong Chu Kee.

The Board is of the view that the Audit Committee members have the adequate accounting or related financial management expertise and experience to discharge the Audit Committee function. Details of academic and professional qualifications of the Audit Committee members are set out in the Annual Report under Directors' Profile on pages 8 to 10.

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

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

(f) Reviews the financial statements of the Company and the Group before submission to the Board together with the external auditor's report;

(g) Reviews and recommends the appointment and re-appointment of external auditor;

(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 auditor to determine if the provision of such services would affect the independence of the external auditor.

The Audit Committee reviews arrangements by which the staff may, in confidence, report possible improprieties which may cause financial or non-financial loss to 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 has explicit authority to investigate any matter within its terms of reference and full access to and receives the co-operation of Management. The Audit Committee also has full discretion to invite any Director or executive officer to attend its meetings and has been given reasonable resources to enable it to discharge its functions.

Annually, the Audit Committee meets the external auditor separately, without the presence of the Executive Directors and Management.

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

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

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

Internal Controls

The Audit Committee reviews the findings of external auditor 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 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 Group's existing operations 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. Financial results and other material information are communicated to shareholders and the public on a timely basis through SGXNET in accordance with the requirements of the SGX-ST.

Notices of and explanatory notes for annual general meeting and special general meeting are advertised in the newspapers and are also released through SGXNET.

Annual reports and Notice of Annual General Meeting are sent to all shareholders. At the Annual General Meeting, shareholders are given the opportunity to communicate their views and to seek clarifications 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 auditor 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 governing dealings in securities by Directors and key officers of the Company and its subsidiaries. Directors and key officers of the Company and its subsidiaries are required to comply with this code.

Directors and key officers have been informed not to deal in the Company's securities 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.

Directors and key officers are also encouraged not to deal in the Company's securities on short-term considerations.

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 2011, 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 CONTRACT

There was no material contract entered into by the Company or any of its subsidiaries involving the interests of the CEO, a Director or controlling shareholder in FY2011.

8. UPDATE ON USE OF PROCEEDS FROM (i) PRIVATE PLACEMENT AND (ii) NON-RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

Out of the total net proceeds of approximately S$12 million (equivalent to approximately US$8.38 million) raised from the placement of 30 million ordinary shares and issue of 651.3 million rights shares in February and June 2010 respectively, the Group has deployed around US$5.39 million as working capital in operating activities, and US$1.08 million in investment activities for the purchase of equipment, intangible assets, as well as cash outflow as a result of the disposal of gaming business.

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 minimise 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 fashion retail 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 the various operations. Non-compliance may lead to fines, public reprimands, and 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.

Risk Assessment and Management

Personnel Risk

The Group depends on the key personnel to deliver consistent high quality products and services to the customers. 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 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.

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Directors' Report

For the year ended 31 March 2011

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 2011 and the balance sheet of the Company as at 31 March 2011.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 33 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 37.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 17 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company are set out in note 16 to the consolidated financial statements.

Directors

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

Executive Directors
Michael Ng Lai Yick
Samuel Lin Jr.

Non-executive Independent Directors

Cheong Chow Yin	(resigned on 25 October 2010)
Daniel Wong Chu Kee	
Flora Zeta Pavlova Cheong-Leen	(appointed on 10 November 2010)
John Lim Yew Kong	
Stuart Pang Seng Tuong	(appointed on 25 October 2010)

Mr John Lim Yew Kong retires in accordance with Bye-law 86 of the Company's Bye-laws. Dr Flora Zeta Pavlova Cheong-Leen and Mr Stuart Pang Seng Tuong retire in accordance with Bye-law 85 (2) of the Company's Bye-laws. All of them, being eligible, offer themselves for re-election.

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 28 to 31 of this report.

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 2011	At 31 March 2010	At 31 March 2011	At 31 March 2010
Michael Ng Lai Yick	–	–	80,569,438	19,597,500
Daniel Wong Chu Kee	1,912,500	1,912,500	–	–
Samuel Lin Jr. (appointed on 24 June 2010)	1,760,000	–	65,796,800	–
	3,672,500	1,912,500	146,366,238	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 28 to 31 of this report.

(c) The directors' interests in the share capital of the Company as at 21 April 2011 were the same as at 31 March 2011.

Share options

Pursuant to the approval by the shareholders of the Company on 24 May 2000, The NeteLusion Share Option Scheme (the "Old Scheme") was adopted by the Company. The Old Scheme expired on 23 May 2010. The expiry of the Old Scheme shall be without prejudice to the rights accrued to options which have been granted and accepted.

Pursuant to the approval by the shareholders of the Company on 30 July 2010, the Style Merchants Employee Share Option Scheme 2010 (the "New Scheme") was adopted by the Company.

Summary of the share option schemes

(a) Old Scheme

The Old Scheme 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.

Under the Old Scheme, 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) Old Scheme (Continued)

(i) 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 Old 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 Old Scheme and balance at 1 April 2010	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 March 2011
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 (resigned on 25 October 2010)	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	–	–	(20,000)	25,000
	0.8	45,000	–	–	(20,000)	25,000
Samuel Lin Jr.	0.3	250,000	–	–	–	250,000
	0.7	150,000	–	–	(75,000)	75,000
	0.8	150,000	–	–	(75,000)	75,000
		1,950,000	–	–	(575,000)	1,375,000

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

Share options (Continued)

(a) Old Scheme (Continued)

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

Name of participant	Aggregate options outstanding at 1 April 2010	Options granted during the year	Aggregate options granted since commencement of the Old Scheme to the end of the year	Aggregate options lapsed since commencement of the Old Scheme to the end of the year	Aggregate options outstanding at 31 March 2011
Cheong Chow Yin (resigned on 25 October 2010)	325,000	–	–	(325,000)	–
Daniel Wong Chu Kee	660,000	–	–	(60,000)	600,000
Ignatius Cheng Kwok Lap	300,000	–	–	(150,000)	150,000
John Lim Yew Kong	415,000	–	–	(40,000)	375,000
Mandy Ho Nga Yee	550,000	–	–	(50,000)	500,000
Richard Cui Di	500,000	–	–	(500,000)	–
Samuel Lin Jr.	550,000	–	–	(150,000)	400,000
Tay Kin Hock	230,000	–	–	(230,000)	–
	3,530,000	–	–	(1,505,000)	2,025,000

(iii) The Old Scheme is administered by the Compensation Committee comprising: Mr John Lim Yew Kong (Chairman), Mr Cheong Chow Yin (resigned on 25 October 2010) and Mr Daniel Wong Chu Kee.

Share options (Continued)

(a) Old Scheme (Continued)

(iv) Details of share options granted to the employees, including directors of the Company, pursuant to the Old Scheme are as follows:

	Number of unissued ordinary shares of US$0.01 each under options				
Exercise price (US$)	**Balance at 1 April 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31 March 2011**
0.1	2,010,000	–	–	(1,160,000)	850,000
0.3	1,000,000	–	–	(225,000)	775,000
0.4	200,000	–	–	–	200,000
0.7	460,000	–	–	(270,000)	190,000
0.8	365,000	–	–	(175,000)	190,000
0.9	95,000	–	–	(95,000)	–
	4,130,000	–	–	(1,925,000)	2,205,000

(b) New Scheme

The New Scheme 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 New Scheme is administered by the Compensation Committee comprising: Mr John Lim Yew Kong (Chairman), Mr Cheong Chow Yin (resigned on 25 October 2010), Mr Daniel Wong Chu Kee and Mr Stuart Pang Seng Tuong (appointed on 25 October 2010).

Under the New Scheme, 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.

No option has been granted pursuant to the New Scheme since its adoption.

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

Samuel Lin Jr.
Deputy Chairman

24 June 2011

Statements by Directors

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 36 to 98 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 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and

(b) 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

Samuel Lin Jr.
Deputy Chairman

24 June 2011

Independent Auditor's Report

To the Shareholders of The Style Merchants Limited
(Incorporate in Bermuda with 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 36 to 98, which comprise the consolidated balance sheet as at 31 March 2011, 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 information.

Management responsibility for the consolidated financial statements

Management of the Company is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with Section 90 of the Companies Act 1981 of Bermuda, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 directors, 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 at 31 March 2011, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

To the Shareholders of The Style Merchants Limited
(Incorporate in Bermuda with limited liability)

Other matters

This report, including the opinion, has been prepared for and only for you, 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, 24 June 2011

Consolidated Balance Sheet

(All amounts in US dollars in thousands unless otherwise stated)
As at 31 March 2011

	Note	2011	2010
ASSETS			
Non-current assets			
Intangible assets	5	2,384	–
Property, plant and equipment	6	385	–
Interests in associates	7	–	–
		2,769	–
Current assets			
Inventories	9	1,517	16
Trade receivables	10	341	35
Deposits, prepayments and other receivables	11	834	194
Cash and cash equivalents	12	2,659	2,556
		5,351	2,801
Total assets		8,120	2,801
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	8,821	1,804
Reserves	17	(2,449)	(511)
		6,372	1,293
Non-controlling interests		(494)	–
Total equity		5,878	1,293
LIABILITIES			
Non-current liabilities			
Amounts due to shareholders	14	424	–
Deferred income tax liabilities	15	348	–
		772	–
Current liabilities			
Trade payables	13	273	8
Other payables and accruals	13	1,197	1,500
		1,470	1,508
Total liabilities		2,242	1,508
Total equity and liabilities		8,120	2,801

The notes on pages 41 to 98 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 2011

	Note	2011	2010 (Restated)
Continuing operations			
Revenue	30	3,048	–
Cost of sales	18	(1,243)	–
Gross profit		1,805	–
Administrative expenses	18	(1,632)	(500)
Other operating expenses	18	(3,423)	(74)
Provision for impairment of non-current assets	6, 18	(279)	–
		(3,529)	(574)
Finance income - bank interest income		1	–
Finance costs		(16)	–
Finance cost, net	21	(15)	–
Loss before income tax from continuing operations		(3,544)	(574)
Income tax credit	22	42	–
Loss for the year from continuing operations		(3,502)	(574)
Discontinued operations			
Loss for the year from discontinued operations	24	(1,024)	(1,225)
Loss for the year		(4,526)	(1,799)
Attributable to:			
Equity holders of the Company		(3,505)	(1,799)
Non-controlling interests		(1,021)	–
		(4,526)	(1,799)
Basic loss per share			
- From continuing operations (US cents)	25	0.34	0.27
- From discontinued operations (US cents)	25	0.13	0.57
		0.47	0.84
Diluted loss per share			
- From continuing operations (US cents)	25	0.34	0.27
- From discontinued operations (US cents)	25	0.13	0.57
		0.47	0.84

The notes on pages 41 to 98 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 2011

	2011	2010
Loss for the year	(4,526)	(1,799)
Other comprehensive income:		
Currency translation differences	194	17
Translation reserve released on disposal of subsidiaries	7	–
Total comprehensive loss for the year	(4,325)	(1,782)
Total comprehensive loss attributable to:		
- Equity holders of the Company	(3,335)	(1,782)
- Non-controlling interests	(990)	–
	(4,325)	(1,782)

The notes on pages 41 to 98 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 2011

	Note	2011	2010
Cash flows from operating activities			
Cash used in operations	26	(5,389)	(1,282)
Income tax paid		–	(10)
Net cash used in operating activities		(5,389)	(1,292)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(603)	(31)
Proceeds from sale of property, plant and equipment		–	5
Purchase of intangible assets	5	(104)	–
Acquisition of subsidiaries - net of cash acquired	26(a)	47	–
Disposal of subsidiaries - net of cash disposed	26(b)	(420)	–
Net cash used in investing activities		(1,080)	(26)
Cash flows from financing activities			
Interest paid	21	(16)	–
Interest received	21	9	6
Repayment of amounts due to shareholders		(319)	–
Proceeds from issue of shares - net of expenses	16(a)	6,857	1,527
Net cash generated from financing activities		6,531	1,533
Net increase in cash and cash equivalents		62	215
Cash and cash equivalents at beginning of the year		2,556	2,324
Effect of exchange rate changes on cash and cash equivalents		41	17
Cash and cash equivalents at end of the year	12	2,659	2,556

The notes on pages 41 to 98 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 2011

	Attributable to equity holders of the Company				
	Share capital	Other reserves	Accumulated losses	Non-controlling interests	Total equity
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 income					
Currency translation differences	–	17	–	–	17
Total comprehensive income/(loss)	–	17	(1,799)	–	(1,782)
Transactions with owners					
Issue of ordinary shares for cash (note 16(a)(i))	300	1,227	–	–	1,527
Transfer (note 17(a))	–	(1,957)	1,957	–	–
	300	(730)	1,957	–	1,527
Balance at 31 March 2010	1,804	4,633	(5,144)	–	1,293
Balance at 1 April 2010	1,804	4,633	(5,144)	–	1,293
Comprehensive loss					
Loss for the year	–	–	(3,505)	(1,021)	(4,526)
Other comprehensive income					
Currency translation differences	–	163	–	31	194
Translation reserve released on disposal of subsidiaries	–	7	–	–	7
Total comprehensive income/(loss)	–	170	(3,505)	(990)	(4,325)
Transactions with owners					
Transfer (note 17(b))	–	221	(221)	–	–
Reclassification due to lapse of share options (note 17(c))	–	(127)	127	–	–
Non-controlling interests released on disposal of subsidiaries	–	–	–	66	66
Non-controlling interests arising on acquisition of a subsidiary	–	–	–	430	430
Issue of ordinary shares under rights issue, net of transaction costs (note 16 (a)(iii))	6,513	344	–	–	6,857
Issue of ordinary shares related to acquisition of subsidiaries, net of transaction costs (note 16 (a) (ii, iv))	504	1,053	–	–	1,557
	7,017	1,491	(94)	496	8,910
Balance at 31 March 2011	8,821	6,294	(8,743)	(494)	5,878

The notes on pages 41 to 98 are an integral part of these consolidated financial statements.

(All amounts in US dollars in thousands unless otherwise stated)
For the year ended 31 March 2011

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 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 33 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 24 June 2011.

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") issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, as modified by financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

During the year, there was a loss of US$3,502,000 (2010: US$574,000) from the continuing operations and cash and cash equivalents amounted to US$2,659,000 as at 31 March 2011 (31 March 2010: US$2,556,000). 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 other financing alternatives. 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 statements were 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.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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.

(a) New and amended standards adopted by the Group

The following new standards, amendments and interpretations are mandatory for the year ended beginning 1 April 2010.

- IFRS 3 (Revised), 'Business Combinations', and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  IFRS 3 (Revised) continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The Group has applied IFRS 3 (Revised) prospectively to all business combinations from 1 April 2010, and has opted the latter alternative to measure the non-controlling interest in the acquiree. The adoption of IFRS 3 (Revised) has no material impact to the Group's result.

  IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. IAS 27 (revised) has had no impact on the current year, as there have been no transactions with non-controlling interests.

- IAS 36 (Amendment), 'Impairment of Assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating Segments' (that is, before the aggregation of segments with similar economic characteristics). The Group has applied the amendment and considered fashion retailing business as the cash-generating unit to which goodwill should be allocated for impairment testing. There are no material impact on the Group's result.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

- IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Since the amendment only impacts presentation aspects, there is no impact on the Group's results.

- IAS 38 (Amendment), 'Intangible Assets'. The amendment clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognized separately from goodwill but together with the related item. The Group has applied the amendment and identified several intangible assets, including brandname, favourable contract and reacquired right. There are no material impact to the Group's result.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 April 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events).

		Effective for accounting period beginning on or after
IAS 1 (Amendment)	Current/non-current classification of convertible instruments	1 January 2010
IAS 32 (Amendment)	Classification of Rights Issue	1 February 2010
IAS 39 (Amendment)	Eligible Hedged Items	1 July 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	1 January 2010
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction	1 January 2010
IFRIC – Int 17	Distribution of Non-cash Assets to Owners	1 July 2009
Improvements to IFRSs 2009:		
IAS 7 (Amendment)	Classification of Expenditures on Unrecognized Assets	1 January 2010
IAS 17 (Amendment)	Classification of leases of land and buildings	1 January 2010
IAS 18 (Amendment)	Determining Whether an Entity is Acting as a Principal or as an Agent	1 January 2010

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 April 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events). (Continued)

		Effective for accounting period beginning on or after
IAS 39 (Amendment)	Scope Exemption for Business Combination Contracts, Cash Flow Hedge Accounting and Treating Loan Prepayment Penalties as Closely Related Derivatives	1 January 2010
IFRS 2 (Amendment)	Scope of IFRS 2 and IFRS 3 (Revised)	1 July 2009
IFRS 8	Disclosure of information about segment assets	1 January 2010
IFRIC – Int 9	Scope of IFRIC – Int 9 and IFRS 3 (Revised)	1 July 2009
IFRIC – Int 16	Amendment to the restriction on the entity that can hold hedging instruments	1 July 2009

(c) Standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the year ended 31 March 2011 and have not been early adopted by the Group:

The following new/revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2011 or later periods, but the Group has not early adopted them:

		Effective for accounting period beginning on or after
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 24 (Revised)	Related Party Disclosures	1 January 2011
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Assets for First-time Adopters	1 July 2011
IFRS 7(Amendment)	Disclosures–Transfer of Financial Assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 9 (Additions)	Financial Instruments–Financial Liabilities	1 January 2013
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRSs (Amendment)	Improvements to IFRSs 2010	1 January 2011

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The Group has opted the latter alternative to measure the non-controlling interest in the acquiree.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement (note 2.5).

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(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 includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

2 Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Associates (Continued)

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

Dilution gains and losses arising in interests 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 of the Group.

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 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 in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. 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 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 reversed. 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 arose identified according to operating segment.

2 Summary of significant accounting policies (Continued)

2.5 Intangible assets (Continued)

(b) Brandname and favourable contract in respect of celebrity branding

Brandname and favourable contract in respect of celebrity branding acquired in a business combination are recognized at fair value at the acquisition date. Brandname and favourable contract in resepect of celebrity branding have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of brandname and favourable contract in respect of celebrity branding over their estimated useful lives.

The estimate useful lives of the brandname and favourable contract in respect of celebrity branding are 10.5 years and 5 years respectively.

(c) Reacquired franchise rights

Reacquired franchise rights acquired as part of a business combination represents the benefit to the Group from the right to operate in certain geographical regions. These are initially measured at fair value and amortized on a straight-line basis over the remaining contractual period of the franchise agreements which was terminated on 30 November 2019.

(d) Game license fee

Acquired game license fee are capitalized on the basis of the costs incurred to acquire 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 3 years.

(e) 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.

2.6 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.

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

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	3 year or over the unexpired period of the lease, whichever is shorter
Furniture and fixtures	3 to 5 years
Office equipment	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

2.7 Impairment of 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and financial asset at fair value through profit or loss. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

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 reporting period. 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 consolidated balance sheet (notes 2.10 and 2.11).

2 Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Regular way 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. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement in the period in which they arise.

The Group assesses at each reporting period whether there is objective evidence that a financial asst 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 using a weighted average method. The cost of finished goods comprises all direct costs of purchase. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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 amounts 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 accounts, 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 accounts for receivables. Subsequent recoveries of the amounts previously written off are credited against other operating expenses in the consolidated income statements.

2.11 Cash and cash equivalents

Cash and cash equivalents include 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Compound financial instrument

Compound financial instrument was issued by the Retail Resources Management Limited ("RRM"), a subsidiary of the Company, to the Company. The compound financial instrument comprises a convertible note that can be converted to share capital of RRM at the option of the Company, and the number of shares to be issued does not vary with changes in their fair value.

The Company has designated the entire convertible note as financial assets at fair value through profit or loss on the Company level and classified as financial value at "fair value through profit or loss" ("FVTPL"). The entire compound financial instrument is recognized initially at the fair value and is subsequently re-measured at their fair value at each reporting period. The gain or loss on remeasurement to fair value is recognized immediately in the income statements of the Company and RRM, respectively. The convertible loan is recognized as a financial asset at FVTPL on the Company's balance sheet while as a financial liability at FVTPL on RRM's balance sheet. Accordingly, these balances are eliminated at Group level while the non-controlling interests take up its interests in the financial liability in RRM.

2.16 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.

2 Summary of significant accounting policies (Continued)

2.16 Current and deferred income tax (Continued)

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 only 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 for deferred income tax liability 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 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)

2.17 Employee benefits (Continued)

(b) Share-based compensation benefits

The Group operates a number of equity-settled, share-based compensation plans, 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 the end of each reporting period, 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 Summary of significant accounting policies (Continued)

2.18 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.

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.

2.19 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, rebate 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 –Wholesales sales

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 the customer and title has been passed.

(c) Sales of goods – Retail sales

Sales of goods are recognized on sales of product to the customer. Retails sales are mainly in cash or by credit card.

2 Summary of significant accounting policies (Continued)

2.19 Revenue recognition (Continued)

(d) Licensing income

Licensing income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(e) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset that necessary takes a substantial period of time to get ready for its intend use or sale are capitalized as part of the cost that asset. All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

2.21 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.

Contingent rental are charged to the consolidated income statement in accounting period in which they are incurred.

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.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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 Renminbi, Singapore dollars ("S$") 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 2011, 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$69,000 (2010: US$13,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, cash and cash equivalents, other receivables and other payables which are denominated in Renminbi.

At 31 March 2011, 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$115,000 (2010: US$168,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of trade receivables, trade payables, and cash and cash equivalents, other receivables and other payables 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.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 March 2011					
Trade payables	273	–	–	–	273
Other payables and accruals	1,197	–	–	–	1,197
Amounts due to shareholders	–	424	–	–	424
At 31 March 2010					
Trade payables	8	–	–	–	8
Other payables and accruals	1,500	–	–	–	1,500

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.

3 Financial risk management (Continued)

3.2 Capital risk management (Continued)

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 2011, the Group's strategy, which was unchanged from 2010, was to maintain a gearing ratio of zero. The gearing ratio at 31 March 2010 and 2011 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 and other receivables, trade payables, other payables and accruals and amounts due to shareholders 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) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5(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)).

The Group tests annually whether goodwill has suffered any impairment, in accordance with IAS 36 "Impairment of Assets" ("IAS 36"). The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculation. These calculations require the use of estimates. Had the pre-tax discount rate, revenue growth rate and terminal growth rate applied to the discounted cash flow been different from the management's estimate, the goodwill might result in impairment. Details of the assumptions are described in note 5(a) to the consolidated financial statements.

4 Critical accounting estimates and judgements (Continued)

(b) Amortization and impairment of brandname, favourable contract in respect of celebrity branding and reacquired franchise rights

The Group tests annually whether brandname, favourable contract in respect of celebrity branding and reacquired franchise rights have any indication of impairment in accordance with IAS 36. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates. In determining the value-in-use, expected cash flows generated by the intangible assets are discounted to their present value, which requires significant judgement. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue, expenses and other operating costs. Had the actual results been different from the management's estimate, it might result in impairment.

(c) Impairment of fixed assets

The Group assesses annually whether property, plant and equipment (including leasehold improvement of self-direct owned shops) have any indication of impairment in accordance with IAS 36. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates. In determining the value-in-use, expected cash flows generated by property, plant and equipment to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgements and estimates. Management believes that any reasonably foreseeable change in any of the above key elements in the value in use calculation would result in additional impairment charges.

(d) Net realisable value of inventories

In accordance with IAS 2 "Inventories", the Group estimates annually the net realisable value of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

5 Intangible assets

	Group						
	Brandname	Development cost of multimedia products	Favourable contract in respect of celebrity branding	Game license fee	Reacquired rights	Goodwill	Total
At 1 April 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	–	–	–	–	–	–	–

5 Intangible assets (Continued)

	Group						
	Brandname	Development cost of multimedia products	Favourable contract in respect of celebrity branding	Game license fee	Reacquired rights	Goodwill	Total
At 1 April 2010							
Cost	–	220	–	–	–	6,874	7,094
Accumulated amortization and impairment	–	(220)	–	–	–	(6,874)	(7,094)
Net book value	–	–	–	–	–	–	–
Year ended 31 March 2011							
Opening net book value	–	–	–	–	–	–	–
Exchange differences	28	–	23	–	7	37	95
Acquisition of subsidiaries	679	–	553	–	270	954	2,456
Additions	–	–	–	104	–	–	104
Disposal of subsidiaries	–	–	–	(84)	–	–	(84)
Amortization charges	(56)	–	(96)	(20)	(15)	–	(187)
Closing net book value	651	–	480	–	262	991	2,384
At 31 March 2011							
Cost	707	–	576	–	277	991	2,551
Accumulated amortization and impairment	(56)	–	(96)	–	(15)	–	(167)
Net book value	651	–	480	–	262	991	2,384

Amortization of US$20,000 of game license fee (2010: nil) was included in "cost of sales of discontinued operations" in the consolidated income statement and other amortization charges of US$167,000 (2010: nil) was included in "other operating expenses" in the consolidated income statement.

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, China	Game development segment, China	Fashion retail segment China	Total
At 31 March 2010				
Cost	3,243	3,631	–	6,874
Accumulated impairment	(3,243)	(3,631)	–	(6,874)
	–	–	–	–
At 31 March 2011				
Cost	–	–	991	991
Accumulated impairment	–	–	–	–
	–	–	991	991

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 ten-year period.

The key assumptions used for value-in-use calculations as at 31 March 2011 were as follows:

Gross margin	60% to 62%
Growth rate	2% to 24%
Discount rate	19%

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.

6 Property, plant and equipment

	Group			
	Leasehold improvements	Furniture and fixtures	Office equipment	Total
At 1 April 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 charge	–	–	(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	–	–	–	–
Year ended 31 March 2011				
Opening net book value	–	–	–	–
Acquisition of subsidiaries (note 27)	382	20	96	498
Additions	398	22	183	603
Disposals	(59)	–	(3)	(62)
Disposals of subsidiaries	–	(2)	(117)	(119)
Depreciation charge	(224)	(6)	(52)	(282)
Impairment	(254)	–	(25)	(279)
Exchange differences	18	1	7	26
Net book value	261	35	89	385
At 31 March 2011				
Cost	930	55	185	1,170
Accumulated amortization and impairment	(669)	(20)	(96)	(785)
Net book value	261	35	89	385

7 Interests in associates

	Group	
	2011	2010
Interests in associates		
At 1 April	–	12
Impairment loss	–	(12)
At 31 March	–	–

NeteLusion Media Limited, 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 any losses amounting to US$1,000 for the year ended 31 March 2010. The accumulated losses not recognized were US$45,000 as at 31 March 2010.

8 Financial instruments by category

	Group	
	2011	2010
Loans and receivables		
Trade receivables (note 10)	341	35
Deposits and other receivables	539	128
Cash and cash equivalents (note 12)	2,659	2,556
	3,539	2,719

	Group	
	2011	2010
Other financial liabilities		
Trade payables (note 13)	273	8
Other payables and accruals (note 13)	1,197	1,500
Amounts due to shareholders (note 14)	424	–
	1,894	1,508

9 Inventories

	Group	
	2011	2010
Raw materials	112	–
Finished goods, at cost	1,498	16
	1,610	16
Provision for impairment	(93)	–
	1,517	16

The cost of inventories recognized as expense and included in "cost of sales" amounted to US$1,458,000 (2010: US$200,000). The provision for impairment of US$67,000 has been included in 'other operating expenses' in the consolidated income statement.

No inventories are carried at net realizable value at 31 March 2011 (2010: nil).

10 Trade receivables

	Group	
	2011	2010
Trade receivables	347	189
Less: provision for impairment of trade receivables	(6)	(154)
Trade receivables, net	341	35

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

	Group	
	2011	2010
Counterparties without external credit rating		
Group 1	341	34
Group 2	–	–
	341	34

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.

10 Trade receivables (Continued)

Trade receivables of US$341,000 were payable on demand but not impaired (2010: the credit period is three months and US$1,000 were past due but not impaired). These relate to a number of independent customers for whom there is no history of default. The aging analysis of these trade receivables is as follows:

	Group	
	2011	**2010**
Up to 2 months	324	–
Over 2 months	17	1
	341	1

As of 31 March 2011, trade receivables of US$6,000 (2010: US$154,000) were impaired and provided for. The movement on the provision for impairment of trade receivables are as follows:

	Group	
	2011	**2010**
At 1 April	154	154
Acquisition of subsidiaries	14	–
Disposal of subsidiaries	(154)	–
Reversal of impairment of trade receivables (note 18)	(8)	–
	6	154

The reversal of provision for impairment of US$8,000 has been included in 'other operating expenses' in the income statement.

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

	Group	
	2011	**2010**
Malaysia ringgit	–	2
Philippine peso	–	20
Renminbi	341	1
Singapore dollars	–	12
	341	35

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$nil (2010: US$2,000) and US$341,000 (2010: US$1,000) 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	
	2011	2010
Rental and utilities deposits	473	84
Prepayment and other receivables	361	110
	834	194

12 Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
Cash at bank and on hand	2,659	2,094	117	17
Short–term bank deposits	–	462	–	–
	2,659	2,556	117	17
Maximum exposure to credit risk	2,648	2,550	117	17

As of March 2011, the Group has no short-term bank deposits (2010: US$462,000). The effective interest rate on short-term bank deposits was 1.08% and these deposits have an average maturity of 7 to 30 days for the year ended 31 March 2010.

Included in the balances, approximately US$994,000 (2010: US$138,000) and US$nil (2010: US$424,000) 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	
	2011	2010	2011	2010
Hong Kong dollars	254	103	109	9
Malaysia ringgit	–	424	–	–
Philippine Peso	–	27	–	–
Renminbi	994	138	–	–
Singapore dollars	1,144	1,686	–	–
United States dollars	267	178	8	8
	2,659	2,556	117	17

12 Cash and cash equivalents (Continued)

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

	Group		Company	
	2011	2010	2011	2010
AA	109	8	–	–
A	2,355	2,433	117	17
BAA	147	82	–	–
C	37	27	–	–
	2,648	2,550	117	17

13 Trade payables, other payables and accruals

	Group	
	2011	2010
Trade payables	273	8
Trade deposits from customers	323	157
Accrued operating expenses	874	1,343
	1,470	1,508

14 Amounts due to shareholders

The amounts due to shareholders are denominated in Renminbi, unsecured, interest-free and repayable on or after 1 April 2012.

15 Deferred income tax liabilities

The analysis of deferred tax liabilities is as follows:

	Group	
	2011	2010
Deferred tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	348	–

The gross movement in the deferred income tax liabilities is as follow:

	Group	
	2011	2010
As at 1 April	–	–
Acquisition of subsidiaries (note 27)	376	–
Credited to consolidated income statement	(42)	–
Exchange differences	14	–
As at 31 March	348	–

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US$1,701,000 (2010: US$1,601,000) in respect of losses amounting to US$6,934,000 (2010: US$7,895,000) that can be carried forward against future taxable income. Losses amounting to US$63,360 (2010: US$6,213,000) have no expiry date and the remaining balance will expire at various dates and including 2016.

16 Share capital

(a) Issued and authorized share capital

	Group and Company	
	2011	2010
Authorized:		
5,000,000,000 (2010: 5,000,000,000) ordinary shares of US$0.01 each (2010: US$0.01 each)	50,000	50,000
Issued and fully paid:		
882,121,423 (2010: 180,422,582) ordinary shares of US$0.01 each (2010: US$0.01 each)	8,821	1,804

	Issued ordinary shares	
	Number of shares (thousands)	Amount
At 1 April 2009	150,423	1,504
Issue of oridnary shares for cash (note i)	30,000	300
At 31 March 2010	180,423	1,804
Issue of ordinary shares for acquisition of RRM and its subsidiaries (note ii)	36,667	367
Issue of ordinary shares under rights issue (note iii)	651,300	6,513
Issue of ordinary shares for acquisition of Celebrity Next Limited ("CNL") and its subsidiary (note iv)	13,732	137
At 31 March 2011	882,122	8,821

Note:

(i) 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.

(ii) On 25 May 2010, the Company issued 36,666,667 new ordinary shares for the acquisition of 1,077 ordinary shares of RRM, representing 55% shareholding. The transaction was completed on 25 May 2010.

(iii) On 25 June 2010, the Company issued 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 approximately US$6,982,000). The net proceeds amounted to US$6,857,000 after deducting the incremental costs directly attributable to rights issue.

(iv) On 30 September 2010, the Company issued 13,732,174 new ordinary shares for the acquisition of 100% shareholding of CNL. The transaction was completed on 1 October 2010.

16 Share capital (Continued)

(b) Share options

Pursuant to the approval by the shareholders of the Company on 24 May 2000, The NeteLusion Share Option Scheme (the "Old Scheme") was adopted by the Company. The Old Scheme expired on 23 May 2010. The expiry of the Old Scheme shall be without prejudice to the rights accrued to options which have been granted and accepted.

Pursuant to the approval by the shareholders of the Company on 30 July 2010, The Style Merchants Employee Share Option Scheme 2010 (the "New Scheme") was adopted by the Company. No option has been granted pursuant to the New Scheme since its adoption

Old Scheme

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

	Number of unissued ordinary shares of US$0.01 each under options					
Exercise price US$	Outstanding balance at 1 April 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding balance at 31 March 2011	Exercisable at 31 March 2011
0.1	2,010,000	–	–	(1,160,000)	850,000	850,000
0.3	1,000,000	–	–	(225,000)	775,000	775,000
0.4	200,000	–	–	–	200,000	200,000
0.7	460,000	–	–	(270,000)	190,000	190,000
0.8	365,000	–	–	(175,000)	190,000	190,000
0.9	95,000	–	–	(95,000)	–	–
	4,130,000	–	–	(1,925,000)	2,205,000	2,205,000

16 Share capital (Continued)

(b) Share options (Continued)

Old Scheme (Continued)

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 2011	Number of options 2010
22 October 2010	0.9	–	95,000
22 October 2010	0.7	–	95,000
15 January 2011	0.8	–	170,000
15 January 2011	0.7	–	170,000
18 September 2011	0.8	190,000	195,000
18 September 2011	0.7	190,000	195,000
30 March 2013	0.3	775,000	1,000,000
06 July 2013	0.4	200,000	200,000
26 June 2017	0.1	850,000	2,010,000
		2,205,000	4,130,000

No share based compensation costs was recognized during the year (2010: US$Nil).

17 Reserves

	Group						
	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compensation reserve	Accumulated losses	Total
At 1 April 2009	3,439	(221)	(23)	1,957	194	(5,302)	44
Loss for the year	–	–	–	–	–	(1,799)	(1,799)
Currency translation differences	–	–	17	–	–	–	17
Issue of ordinary shares for cash	1,227	–	–	–	–	–	1,227
Transfer (note a)	–	–	–	(1,957)	–	1,957	–
At 31 March 2010	4,666	(221)	(6)	–	194	(5,144)	(511)
At 1 April 2010	4,666	(221)	(6)	–	194	(5,144)	(511)
Loss for the year	–	–	–	–	–	(3,505)	(3,505)
Currency translation differences	–	–	163	–	–	–	163
Translation reserve released on disposal of subsidiaries	–	–	7	–	–	–	7
Transfer (note b)	–	221	–	–	–	(221)	–
Issue of ordinary shares under rights issue, net of transaction cost	344	–	–	–	–	–	344
Issue of ordinary shares related to acquisition of subsidiaries, net of transaction cost	1,053	–	–	–	–	–	1,053
Reclassification due to lapse of share options (note c)	–	–	–	–	(127)	127	–
At 31 March 2011	6,063	–	164	–	67	(8,743)	(2,449)

17 Reserves (Continued)

	Company				
	Share premium US$'000	Contributed surplus US$'000	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Balance at 1 April 2009	3,439	1,957	194	(5,736)	(146)
Loss for the year	–	–	–	(1,592)	(1,592)
Issue of ordinary shares for cash	1,227	–	–	–	1,227
Transfer (note a)	–	(1,957)	–	1,957	–
Balance at 31 March 2010	4,666	–	194	(5,371)	(511)
Balance at 1 April 2010	4,666	–	194	(5,371)	(511)
Loss for the year	–	–	–	(1,408)	(1,408)
Issue of ordinary shares under rights issue, net of transaction cost	344	–	–	–	344
Issue of ordinary shares related to acquisition of subsidiaries, net of transaction cost	1,053	–	–	–	1,053
Reclassification due to lapse of share options (note c)	–	–	(127)	127	–
Balance at 31 March 2011	6,063	–	67	(6,652)	(522)

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 day.

(b) Pursuant to the directors' approval on 30 March 2011, a balance of merger reserve of US$221,000 was transferred to the accumulated losses of the Company as at that day subsequent to the disposal of Netelusion (Hong Kong) Limited.

(c) Pursuant to the directors' approval on 30 March 2011, share-based compensation reserve was transferred to the accumulated losses of the Company as at that day, subsequent to the lapse of the related share options.

18 Expenses by nature

	Group	
	2011	2010 (Restated)
Continuing operations:		
Cost of inventories sold	1,243	–
Advertising costs and marketing expenses	844	26
Exchange gains, net	(509)	(122)
Depreciation of property, plant and equipment	251	3
Auditor's remuneration	153	130
Amortization charge of intangible assets (note 5)	167	–
Employee benefit expenses (note 19)	1,633	500
Loss on disposal of property, plant and equipment	55	–
Operating lease rentals for land and buildings	1,080	95
Provision for impairment of inventories (note 9)	67	–
Reversal of impairment of trade receivables (note 10)	(8)	–
Provision for impairment on non-current assets (note 6)	279	–
Others expenses/(income)	1,322	(58)
	6,577	574
Discontinued operations:		
Cost of inventories sold	215	200
Other cost of sales	600	801
Advertising costs and marketing expenses	461	231
Exchange losses, net	112	89
Amortization of intangible assets (note 5)	20	–
Depreciation of property, plant and equipment	31	28
Auditor's remuneration	–	8
Employee benefit expenses (note 19)	1,390	1,378
Loss/(gain) on disposal of property, plant and equipment	7	(5)
Operating lease rentals for land and buildings	154	165
Provision for impairment of interests in associates	–	12
Gain on disposal of subsidiaries	(354)	–
Others expenses	568	458
	3,204	3,365
	9,781	3,939

19 Employee benefits expenses (including directors' emoluments)

	Group	
	2011	2010 (Restated)
Continuing operation:		
Wages, salaries and fees	1,488	455
Pension costs - defined contribution plans	83	10
Staff welfare expenses	62	35
	1,633	500
Discontinued operations:		
Wages, salaries and fees	1,246	1,241
Pension costs - defined contribution plans	81	61
Staff welfare expenses	63	76
	1,390	1,378

20 Directors' emoluments

	Group	
	2011	2010
Fees	102	84
	102	84

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

No directors waived any emoluments during the year (2010: 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 (2010: nil).

21 Finance cost, net

	Group	
	2011	2010 (Restated)
Continuing operation:		
Finance cost	16	–
Finance income	(1)	–
	15	–

	Group	
	2011	2010 (Restated)
Discontinued operations:		
Finance cost	–	–
Finance income	(8)	(6)
	(8)	(6)

22 Income tax expense

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

The amount of income tax expense charged to the consolidated income statement represents:

	Group	
	2011	2010 (Restated)
Continuing operation:		
Deferred taxation (note 15)	(42)	–
Discontinued operations:		
Current income tax:		
- Current tax on loss for the year	–	10
Income tax (credit)/expenses	–	10

22 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	
	2011	2010 (Restated)
Loss before income tax		
- From continuing operation	(3,544)	(574)
- From discontinued operations	(1,024)	(1,225)
	(4,568)	(1,799)
Tax calculated at domestic tax rates applicable to losses in the respective countries	(942)	(143)
Income not subject to tax	–	–
Expenses not deductible for tax purposes	5	2
Recognition of unrecognized temporary difference	(42)	–
Utilization of previously unrecognized tax losses	15	(69)
Tax losses not recognized	922	220
Income tax (credit)/expense	(42)	10

The domestic tax rate ranged from 0% to 25% for the year (2010: 0% to 25%).

23 Net foreign exchange (gains)/losses

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

	Group	
	2011	2010 (Restated)
Continuing operations		
Recognized in other operating expenses	(509)	(122)
Discontinued operations		
Recognized in other operating expenses	112	89

24 Disposal of subsidiaries and discontinued operations

On 19 April 2010, the Group disposed of the entire issued and paid up share capital of a subsidiary of NHKL group, Qian Wan Technology Co., Ltd which was engaged in operating an online game, to an independent party for a consideration of RMB600,000 (or equivalent to US$104,000).

Subsequently, on 13 January 2011, the Company and Marvel Day Enterprise Limited entered into the agreement pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued and paid-up share capital of NeteLusion (Hong Kong) Limited and its subsidiaries ("NHKL Group"), which was engaged in online gaming business to an independent party for a consideration of US$250,000. In accordance with International Financial Reporting Standard ("IFRS") 5, "Non-current Assets Held for Sale and Discontinued Operations", the disposal of NHKL Group is considered as discontinued operations. The transaction was completed on 30 March 2011.

Analysis of the result of discontinued operations is as follow:

	Group	
	2011	**2010**
Revenue	2,180	2,144
Cost of sales	(834)	(1,001)
Gross Profit	1,346	1,143
Administrative expenses	(1,390)	(1,378)
Others operating expenses	(1,342)	(986)
Gain on disposal of subsidiaries	354	–
Operating loss	(1,032)	(1,221)
Finance income, net	8	6
Loss before tax of discontinued operations	(1,024)	(1,215)
Income tax expenses	–	(10)
Loss for the year from discontinued operations	(1,024)	(1,225)
Loss for the year from discontinued operations attributable to:		
- Equity holders of the Company	(967)	(1,225)
- Non-controlling interests	(57)	–
Loss for the year from discontinued operations	(1,024)	(1,225)

24 Disposal of subsidiaries and discontinued operations (Continued)

Net cash flow of discontinued operation is as follow:

	Group	
	2011	2010
Operating cash flows	(1,555)	(690)
Investing cash flows	(165)	(36)
Financing cash flows	(139)	936
Total cash flows	(1,859)	210

25 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	
	2011	2010 (restated)
Loss from continuing operations attributable to equity holders of the Company (US'000)	(2,538)	(574)
Loss from discontinued operations attributable to equity holders of the Company (US'000)	(967)	(1,225)
	(3,505)	(1,799)
Weighted average number of ordinary shares in issue (thousands)	737,545	221,583
Basic loss per share (US cents)		
- From continuing operations (US cents)	0.34	0.27
- From discontinued operations (US cents)	0.13	0.57
	0.47	0.84

(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.

25 Loss per share (Continued)

(b) Diluted (Continued)

In 2011 and 2010, 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 737,545,017 (2010: 221,583,338 (restated)).

	Group	
	2011	2010 (restated)
Loss from continuing operations attributable to equity holders of the Company (US'000)	(2,538)	(574)
Loss from discontinued operations attributable to equity holders of the Company (US'000)	(967)	(1,225)
	(3,505)	(1,799)
Weighted average number of ordinary shares for diluted loss per share (thousands)	737,545	221,583
Diluted loss per share (US cents)		
- From continuing operations (US cents)	0.34	0.27
- From discontinued operations (US cents)	0.13	0.57
	0.47	0.84

26 Notes to the consolidated cash flow statement

	2011	2010
Loss before income tax	(4,526)	(1,789)
Adjustments for:		
Depreciation of property, plant and equipment (note 6)	282	31
Amortization of intangible assets (note 5)	187	–
Loss/(gain) on disposal of property, plant and equipment	62	(5)
Gain on disposal of subsidiaries	(354)	–
Impairment of interests in associates	–	12
Provision for impairment of non–current assets (note 6)	279	–
Provision for inventory	67	–
Reversal of impairment of trade receivables	(8)	–
Interest income (note 21)	(9)	(6)
Interest expense	16	–
Changes in working capital (excluding the offsets of exchange differences on consolidation):		
Inventories	(863)	11
Receivables	(571)	(44)
Payables	49	508
Net cash used in operating activities	(5,389)	(1,282)

Note (a):

Analysis of net cash inflow in respect of the acquisition of subsidiaries:

	2011	2010
Cash and cash equivalents balance acquired	47	–
Less: consideration paid in cash	–	–
Net cash inflow in respect of the acquisition of subsidiaries	47	–

Note (b):

Analysis of net cash outflow in respect of the disposal of subsidiaries:

	2011	2010
Cash consideration received	263	–
Less: cash and cash equivalents balance disposal of	(683)	–
Net cash outflow in respect of the disposal of subsidiaries	(420)	–

27 Business combinations

(a) Acquisition of RRM

In order to diversify into fashion retail business in China, on 25 May 2010, the Company acquired 55% shareholding of RRM which was satisfied by the allotment and issue of 36,666,667 new ordinary shares of the Company. The fair value of the ordinary shares issued as part of the consideration amounted to S$1,650,000 (or equivalent to US$1,201,000), being the published share price of the Company's shares of S$0.045 each at the acquisition date.

In accordance with IFRS 3 (Revised), "Business Combination", the Company is required to recognize RRM's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date.

The following table summarizes the consideration paid for RRM and the amounts of the net assets acquired and liabilities assumed recognized at the acquisition date, as well as the goodwill resulted.

Consideration:

At 25 May 2010	
- Equity instruments (36,666,667 ordinary shares)	1,201
- The difference between the consideration given and the fair value of RRM's convertible and interest free loan shared by non-controlling interests (note i)	94
Total consideration	1,295

Recognized amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	4
Property, plant and equipment (note 6)	438
Brandname (included in intangible assets) (note 5)	679
Favourable contract in respect of celebrity branding (included in intangible assets) (note 5)	553
Inventories	713
Trade and other receivables	471
Trade and other payables	(1,059)
Amounts due to shareholders (note 14)	(746)
Deferred income tax liabilities (note 15)	(308)
Total identifiable net assets	745
Non-controlling interests (based on proportionate share of RRM's net assets)	(336)
Goodwill (note 5)	886
	1,295

27 Business combinations (Continued)

(a) Acquisition of RRM (Continued)

Note i: In connection with the acquisition, the Company subscribed for RRM's convertible and interest-free loan at a total principal amount of S$2,000,000 (or equivalent to US$1,428,000). S$1,000,000 each was drawn down in May and July 2010 respectively. The loan will mature in two years, and be convertible at the option of the Company into the shares of RRM.

In accordance with International Accounting Standard ("IAS") 39, the Company has designated the entire contract of convertible loan as "fair value through profit or loss" ("FVTPL"). It is stated at fair value at the grant date with any subsequent changes in fair value recorded in the income statement. The convertible loan is recognized as financial asset at FVTPL on the Company's balance sheet while as financial liability at FVTPL on RRM's balance sheet. Accordingly, these balances are eliminated at group level while the non-controlling interests take up its interest in the financial liability in RRM.

Based on the valuation report prepared by an independent professional valuer, the convertible loan was value at S$1,706,000 (or equivalent to US$1,218,000) at the grant date. Considering the convertible loan being part of the RRM acquisition, the difference between the consideration received (or given) and the fair value is taken to goodwill for the portion of the non-controlling interests of S$294,000 (or equivalent to US$219,000).

As of 31 March 2011, the fair value of the convertible loan amounted to S$1,694,000 (or equivalent to US$1,341,000).

The goodwill of US$886,000 arising from the acquisition is attributable to acquired customer base and its developed retail shop. None of the goodwill recognised is expected to be attributable for income tax purposes.

The revenue and loss included in the consolidated income statement since 25 May 2010 attributed by RRM and its subsidiaries were US$2,617,000 and US$1,898,000, respectively.

Had RRM and its subsidiaries been consolidated from 1 April 2010, the consolidated income statement would show revenue of US$3,300,000 and loss of US$3,759,000 for the continuing operations.

(b) Acquisition of CNL

In order to strengthen the geographical coverage of its retail shops in East China Region, on 1 October 2010, the Company acquired 100% shareholding of CNL by issuing 13,732,174 new ordinary shares of the Company. The fair value of the consideration transferred amounted to US$456,000, being the published share price of S$0.045 each at the issue date. Celebrity is principally engaged in fashion retail business in the PRC.

In accordance with the IFRS 3 (Revised), "Business Combination", the Company is required to recognize CNL's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date.

27 Business combinations (Continued)

(b) Acquisition of CNL (Continued)

The following table summarizes the consideration paid for CNL and the amount of the net assets acquired and liabilities assumed recognized at the acquisition date.

Consideration:

At 1 October 2010	
- Equity instruments (13,732,174 ordinary shares)	456
Total consideration	456
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	43
Property, plant and equipment (note 6)	60
Reacquired rights (included in intangible assets) (note 5)	270
Trade and other receivables	162
Trade and other payables	(79)
Deferred tax liabilities (note 15)	(68)
Total identifiable net assets	388
Goodwill (note 5)	68
	456

The goodwill of US$68,000 arising from the acquisition is attributable to acquired customer base and economies of scale with the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The revenue and loss included in the consolidated income statement since 1 October 2010 attributed by CNL and its subsidiary were US$841,000 and US$418,000, respectively.

Had CNL and its subsidiary been consolidated from 1 April 2010, the consolidated income statement would show revenue of US$3,189,000 and loss of US$3,631,000 for the continuing operations.

28 Banking facilities

At 31 March 2011 and 2010, the Group had no bank overdrafts and trade finance facilities.

29 Operating lease commitments

At 31 March 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2011	**2010**
Not later than one year	1,381	242
Later than one year and not later than five years	1,065	153
	2,446	395

30 Revenue and segment information

Revenue recognized during the year are as follows:

	Group	
	2011	**2010**
Sales of goods	3,048	73
Online games income	2,180	2,071
	5,228	2,144

(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 three 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 reporting 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.

30 Revenue and segment information (Continued)

(iii) Fashion Retail

This reportable segment is principally engaged in whoesales and retail distribution and licensing of quality fashion and lifestyle products deisgned under its own brandname.

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, gain on disposal of subsidiaries and impairment loss ("LBITDA") and loss before income tax ("LBIT"). The measurement basis of LBITDA excludes the effects of nonrecurring 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 comprise primarily of property, plant and equipment, intangible assets, inventories, trade receivables, deposits, prepayments and other receivables, and cash and cash equivalents.

Segment liabilities comprise primarily trade payable, other payable, accrual and loan from shareholders.

Capital expenditure comprises additional to property plant and equipment and intangible asset.

30 Revenue and segment information (Continued)

(a) Segment information (Continued)

	2010						
	Continuing operation			Discontinued operations			Consolidated
	Fashion retailing business	Unallocated	Total Continuing operations	Games services	Games development & operation	Total of discontinued operations	Group Total
Total gross segment revenue	–	–	–	381	1,829	2,210	2,210
Inter-segment revenue	–	–	–	(66)	–	(66)	(66)
Revenue from external customer	–	–	–	315	1,829	2,144	2,144
LBITDA	–	(574)	(574)	(84)	(1,094)	(1,178)	(1,752)
Amortization charge		–	–				
Depreciation charge	–	–	–	–	(31)	(31)	(31)
Provision for impairment of interests in associates	–	–	–	–	(12)	(12)	(12)
LBIT	–	(574)	(574)	(84)	(1,137)	(1,221)	(1,795)
Finance income/(cost), net	–	–	–	–	6	6	6
Loss before income tax	–	(574)	(574)	(84)	(1,131)	(1,215)	(1,789)
Income tax expenses							(10)
Loss for the year							(1,799)
Segment assets	–	1,966	1,966	45	790	835	2,801
Segment liabilities	–	(234)	(234)	(19)	(1,255)	(1,274)	(1,508)
Capital expenditure	–	(1)	(1)	–	(30)	(30)	(31)

30 Revenue and segment information (Continued)

(a) Segment information (Continued)

	2011						
	Continuing operation			Discontinued operations			Consolidated
	Fashion Retailing business	Unallocated	Total Continuing operations	Games Services	Games development & operation	Total of discontinued operations	Total
Total gross segment revenue	3,048	–	3,048	282	1,934	2,216	5,264
Inter-segment revenue	–	–	–	(36)	–	(36)	(36)
Revenue from external customers	3,048	–	3,048	246	1,934	2,180	5,228
LBITDA	(2,206)	(626)	(2,832)	(14)	(1,321)	(1,335)	(4,167)
Amortization charge	(167)	–	(167)	–	(20)	(20)	(187)
Depreciation charge	(250)	(1)	(251)	–	(31)	(31)	(282)
Provision for impairment of property, plant and equipment	(279)	–	(279)	–	–	–	(279)
Gain on disposal of subsidiaries	–	–	–	–	354	354	354
LBIT	(2,902)	(627)	(3,529)	(14)	(1,018)	(1,032)	(4,561)
Finance income/(cost), net	(15)	–	(15)	–	8	8	(7)
Loss before income tax	(2,917)	(627)	(3,544)	(14)	(1,010)	(1,024)	(4,568)
Income tax credit							42
Loss for the year							(4,526)
Segment assets	5,243	2,877	8,120	–	–	–	8,120
Segment liabilities	(1,971)	(291)	(2,262)	–	–	–	(2,262)
Capital expenditure	453	3	456	–	251	251	707

31 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 related parties:

(a) Interest expense

	Group	
	2011	2010
Finance costs related to loan from a shareholder	16	–

The loan from a shareholder was unsecured, bearing interest at 10% per annum and repayable on 6 January 2011. The loan from a shareholder was fully repaid as at 31 March 2011.

(b) Key management compensation

	Group	
	2011	2010
Wages, salaries and fee	613	433
Pension costs - defined contribution plans	17	16
Staff welfare expenses	20	18
	650	467
Comprise amounts paid to:		
- Directors of the Company	101	84
- Other key management personnel	549	383
	650	467

(c) Year-end balance with related parties

	Group	
	2011	2010
Amounts due to shareholders (note 14)	424	–

32 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 and amounts due to shareholders.

33 Financial information of the Company

(a) Balance sheet of the Company

	As at 31 March	
	2011	2010
ASSETS		
Non-current assets		
Investments in subsidiaries (note (i))	1,866	–
Current assets		
Amounts due from subsidiaries (note (ii))	5,155	1,270
Financial assets at fair value through profit or loss (note (iii))	1,341	–
Other receivables & prepayment	4	6
Cash and bank balances (note 12)	117	17
	6,617	1,293
Total assets	8,483	1,293
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital (note 16)	8,821	1,804
Reserves (note 17)	(522)	(511)
Total equity	8,299	1,293
Current liabilities		
Other payables and accruals	184	–
	184	–
Total liabilities	184	–
Total equity and liabilities	8,483	1,293

Note:

(i) Investments in subsidiaries

	As at 31 March	
	2011	2010
At cost	1,866	5,283
Less: Provision for impairment of investments	–	(5,283)
	1,866	–

Particulars of the principal subsidiaries as at 31 March 2011 are set forth on pages 95 to 98.

33 Financial information of the Company (Continued)

(a) Balance sheet of the Company (Continued)

(ii)

	As at 31 March	
	2011	2010
Amounts due from subsidiaries	5,155	24,965
Less: Provision for impairment of receivable	–	(23,695)
	5,155	1,270

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The carrying value of amounts due from subsidiaries is a reasonable approximation of its fair value.

(iii) Financial assets at fair value through profit or loss

	As at 31 March	
	2011	2010
Convertible loan		
At 1 April	–	–
Addition	1,218	–
Exchange differences	132	–
Fair value loss	(9)	–
At 31 March	1,341	–

The fair value of convertible is based on valuation report performed by an independent valuer. The significant inputs of the valuation is not based on observable market data.

33 Financial information of the Company (Continued)

(b) Particulars of principal subsidiaries as at 31 March 2011

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held	
				2011 %	2010 %
Held by the Company					
Celebrity Next Limited (note (c))	Investment holding	The British Virgin Islands	300 ordinary shares of US$1 each	100	–
Retail Resources Management Ltd (note (c))	Investment holding	The British Virgin Islands	1,958 ordinary shares of US$1 each	55	–
The Style Merchants (Hong Kong) Limited (note (a))	Inactive	Hong Kong	1 ordinary shares of HK$1	100	–
The Style Merchants (BVI) Limited (note (c))	Investment holding	The British Virgin Islands	1 ordinary share of US$1	100	–
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
Held by the subsidiaries					
Style Merchants (Shanghai) Co., Ltd. (note (b))	Provision for design services	The PRC	Registered capital of HK$10,000,000 and fully paid capital of HK$2,000,000	100	–
Carnaby (Shanghai) Co.,Ltd. (note (b))	Retails of fashion wear	The PRC	Registered and fully paid capital of US$1,500,000	100	–
Retail Resources Management (HK) Ltd (note (a))	Investment holding	Hong Kong	100 ordinary shares of HK$1 each	55	–
Beijing Retail Resources Fashion Co, Limited (note (b))#	Retails of fashion wear	The PRC	Registered and fully paid capital of HK$15,000,000	55	–

33 Financial information of the Company (Continued)

(b) Particulars of principal subsidiaries as at 31 March 2011 (Continued)

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held	
				2011 %	2010 %
The Carnaby Collection Limited (note (b))	Inactive	United Kingdom	1 ordinary share of GBP 1	55	–
Talent Forever Investment Ltd. (note (c))	Inactive	The British Virgin Islands	1 ordinary share of US$1	55	–
Beijing NeteLusion Fortune Company Limited (note (b))	Operation of games	The PRC	Registered and fully paid capital of US$500,000	–	100
Beijing Whoyo E-Commerce Co. Ltd (note (b))	Operation of games	The PRC	Registered and fully paid capital of RMB3,000,000	–	100
Deswick Technology Limited (note (a))	Inactive	Hong Kong	2 ordinary shares of HK$1 each	–	100
Eaglegame International Limited (note (c))	Operation of games	The British Virgin Island	Issued and fully paid capital of US$200,000	–	100
Eaglegame (Singapore) Pte. Ltd. (note (b))	Operation of games	Singapore	Issued and fully paid capital of S$1	–	100
Eaglegame (M) Sdn.Bhd (note (b))	Operation of games	Malaysia	100 ordinary shares of MYR1 each	–	80
Game Services Limited (note (c))	Operation of games	The British Virgin Islands	1 ordinary shares of US$1	–	100
Media Kingdom Limited (note (c))	Investment holding	The British Virgin Islands	100 ordinary shares of US$1 each	–	100

33 Financial information of the Company (Continued)

(b) Particulars of principal subsidiaries as at 31 March 2011 (Continued)

Name of subsidiary	Principal activities	Place of incorporation/ establishment	Issued/ registered and fully paid capital	Interest held	
				2011 %	2010 %
NeteLusion Fortune Holdings Limited (note (c))	Investment holding	The British Virgin Islands	5,000,000 ordinary shares of US$0.1 each	–	100
NeteLusion Games Holdings Limited (note (c))	Investment holding	The British Virgin Islands	100 ordinary shares of US$1 each	–	80
NeteLusion Games (Hong Kong) Limited (note (a))	Inactive	Hong Kong	2 ordinary shares of US$1 each	–	80
NeteLusion Games (M) Sdn. Bhd. (note (b))	Distribution o online game cards	Malaysia	10,000 ordinary shares of MYR1each	–	80
NeteLusion International Limited (note (c))	Investment holding	The British Virgin Islands	1 ordinary share of US$1	–	100
Qian Wan Technology Co., Ltd. (note (b))	Inactive	The PRC	Registered and fully paid capital of RMB1,000,000	–	80
Xiamen Media Kingdom Company Limited (note (b))	Inactive	The PRC	Registered and fully paid capital of US$200,000	–	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

Notes:

(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.

The English name of the subsidiary represented the best effort by management of the Company in translating the Chinese name, as this subsidiary do not have official English name.

33 Financial information of the Company (Continued)

(c) Particulars of principal subsidiaries as at 31 March 2011 (Continued)

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.

34 Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation. The reclassification have no impact on the Group's total equity as at both 31 March 2010 and 2011, or on the Group's loss for the year ended 31 March 2010 and 2011.

Shareholding Statistics

As at 10 June 2011

Authorised share capital	:	US$50,000,000
Issued and fully paid-up capital	:	US$8,821,214
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	3,346	49.37	699,594	0.08
1,000 – 10,000	2,289	33.77	7,672,271	0.87
10,001 – 1,000,000	1,084	15.99	126,237,791	14.31
1,000,001 and above	59	0.87	747,511,767	84.74
Total	6,778	100.00	882,121,423	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	%
Glorious Mountain Limited	1	–	–	80,569,438	9.13
Michael Ng Lai Yick	2	–	–	80,569,438	9.13
Universal Chinese Limited	3	–	–	54,796,800	6.21
Samuel Lin Jr.	4	1,760,000	0.20	65,796,800	7.46
Ng Shu Fan	5	–	–	48,420,000	5.49
Pacific Finance Services Limited	6	–	–	75,064,839	8.51

Notes:

1. Glorious Mountain Limited has a beneficial interest in 80,569,438 shares registered in the name of DBS Vickers Securities (S) Pte Ltd.
2. Michael Ng Lai Yick is deemed to be interested in 80,569,438 shares held by Glorious Mountain Limited.
3. Universal Chinese Limited has a beneficial interest in 32,800 shares registered in the name of DBS Vickers Securities (S) Pte Ltd and 54,764,000 shares registered in the name of Lim & Tan Securities Pte Ltd.
4. Samuel Lin Jr. has a beneficial interest in (i) 11,000,000 shares registered in the name of Lim & Tan Securities Pte Ltd. and (ii) is deemed to be interested in 54,796,800 shares held by Universal Chinese Limited which are registered in the name of Lim & Tan Securities Pte Ltd (54,764,000 shares) and DBS Vickers Securities (S) Pte Ltd (32,800 shares).
5. Ng Shu Fan has a beneficial interest in 48,420,000 shares registered in the name of DBS Vickers Securities (S) Pte Ltd.
6. Pacific Finance Services Limited has a beneficial interest in 75,064,839 shares registered in the name of Lim & Tan Securities Pte Ltd.

Shareholding Statistics

As at 10 June 2011

Twenty largest shareholders

No.	Name	No.of shares	%
1	DBS VICKERS SECURITIES (S) PTE LTD	204,840,438	23.22
2	LIM & TAN SECURITIES PTE LTD	188,033,945	21.32
3	UOB KAY HIAN PTE LTD	57,063,500	6.47
4	ASIA PACIFIC LINKS LIMITED	42,000,000	4.76
5	SEOW KOK SIAM JOSEPH	20,035,000	2.27
6	SNG YEOW HONG	17,388,000	1.97
7	PHILLIP SECURITIES PTE LTD	13,458,750	1.53
8	KIM ENG SECURITIES PTE. LTD.	13,188,400	1.50
9	OCBC SECURITIES PRIVATE LTD	11,838,490	1.34
10	TAN SENG @ TAN HUN SENG	11,619,000	1.32
11	KENNY LIU ZHENQI	10,915,000	1.24
12	MOK CHU LEUNG TERRY	10,855,000	1.23
13	WONG WENG HONG	10,780,000	1.22
14	WONG SIEW LAN	8,024,000	0.91
15	LAU HUNG LUN ALAN	8,000,000	0.91
16	CIMB SECURITIES (SINGAPORE) PTE LTD	7,053,500	0.80
17	ROYAL BANK OF CANADA (ASIA) LTD	6,520,000	0.74
18	KHO CHUAN KOK PHILIP	6,010,000	0.68
19	HSBC (SINGAPORE) NOMINEES PTE LTD	5,736,000	0.65
20	TAN POH CHOON @ ANTHONY CHEN TAI XI	5,568,000	0.63
	Total	658,927,023	74.71

Percentage of shareholdings held by the public

As at 10 June 2011, approximately 66.99% 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 (the "Company") will be held at Stamford Room, Maxwell Chambers, 32 Maxwell Road, #03-01 Singapore 069115 on Friday, 29 July 2011 at 10:30 am 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 2011 together with the Auditor's Report thereon. **(Resolution 1)**

2.(a) To re-elect the following Directors retiring pursuant to Bye-law 85(2) of the Company's Bye-laws:

Mr Stuart Pang Seng Tuong **(Resolution 2)**
Dr Flora Zeta Pavlova Cheong-Leen **(Resolution 3)**

Mr Stuart Pang Seng Tuong will, upon re-election as a Director of the Company, remain a member 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 Pang will also remain a member of the Nominating and Compensation Committees.

(b) To re-elect Mr John Lim Yew Kong, a Director retiring by rotation pursuant to Bye-law 86 of the Company's Bye-laws. **(Resolution 4)**

Mr John Lim Yew Kong will, upon re-election as a Director of the Company, remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Mr John Lim will also remain as Chairman of the Nominating and Compensation Committees.

3.(a) To approve the payment of Director's fee of S$15,652 for the year ended 31 March 2011, payable to a Director.
[See Explanation Note (i)] **(Resolution 5)**

(b) To approve the payment of Directors' fees of S$160,000 for the year ending 31 March 2012, payable quarterly in arrears (2011: S$120,000). **(Resolution 6)**

4. To re-appoint PricewaterhouseCoopers, Hong Kong as the Company's Auditor and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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 (excluding treasury 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 (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury 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.

[See Explanatory Note (ii)] **(Resolution 8)**

7. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE STYLE MERCHANTS EMPLOYEE SHARE OPTION SCHEME 2010**

That the Directors of the Company be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Style Merchants Employee Share Option Scheme 2010 (the "Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to (a) the Scheme, and (b) all outstanding options or awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Yvonne Choo
Hazel Chia Luang Chew
Company Secretaries

Singapore, 6 July 2011

Explanatory Notes:

(i) The Ordinary Resolution 5 proposed in item 3(a) above is to approve an amount of S$15,652 as Director's fee payable to a Non-Executive Director who was appointed on 10 November 2010, during the financial year ended 31 March 2011.

(ii) The Ordinary Resolution 8 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 (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro-rata basis.

(iii) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company of up to a number not exceeding in total fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time pursuant to (a) the exercise of the options under the Scheme, and (b) all outstanding options or awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company.

Notes:

1. A Shareholder is entitled to appoint not more than two (2) proxies 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.

The Style Merchants Limited

(Company Registration No. 27671)

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