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MEDIA RELEASE

THE STYLE MERCHANTS TO MORE THAN TRIPLE RETAIL FOOTPRINT IN CHINA

- *Extending foothold in high-margin fashion market targeted at middle-class Chinese women*
- *Most of US\$7 million from rights issue to fund expansion*
- *Singaporean singer-songwriter Stefanie Sun is guest designer committed to produce four collections yearly till 2012*

Singapore, 13 July 2010 – Mainboard-listed The Style Merchants Ltd, formerly known as Netelusion Ltd, today said it plans to widen its fashion footprint in China by another 50 outlets over the next 12 months.

Through its newly-acquired subsidiary, Retail Resources Management (RRM), The Style Merchants is engaged in the design and marketing of ladies' apparel and accessories in China.

Established since late 2007, RRM currently has 19 outlets including five points-of-sales in department stores, 11 franchisee stores and three self-owned stores in Beijing, Jiangsu, and Shanghai. Its main brand currently is "The Carnaby" targeted at women in their 20s and 30s.

Mr Sam Lin (林斯泽), Executive Director, The Style Merchants, said: "Women's wear targeted at the growing Chinese middle-class is a high-margin

fashion business. Extending our foothold in this segment in China through our main brand, The Carnaby, will enhance the prospects of the Group and shareholder value.

“We have raised close to US\$7 million in a rights issue which was oversubscribed, and we plan to use most of the proceeds to fund this expansion. We will enlarge the retail floor space of our existing stores and open bigger outlets in our key markets including Beijing, Shanghai, Chongqing, Chengdu and Guangzhou. We will also introduce ‘The Carnaby’ to tier-two and -three cities where there is less competition from imported brands.”

The Carnaby line of women’s wear is designed by RRM’s team of international designers. The brand inhabits the character of London’s iconic fashion destination Carnaby Street and its rebellious attitude and sense of creative personal style. The Carnaby targets the fashionable, confident Asian women in their 20s and early 30s.

The brand also carries a special collection, YANZI for The Carnaby, designed by popular Singaporean singer-songwriter Stefanie Sun (孙燕姿). Under a three-year agreement, she is committed to produce four collections every year till 2012.

On the collaboration with Sun, Mr Lin said: “Stefanie is an Asian pop icon and a household name in China. She is able to command an audience in tens of thousands whenever she stages a performance in the mainland.

“Stefanie is contemporary, fashionable and smart; so she’s a great inspiration for women particularly those in their early 20s to early 30s and a perfect match for our brand. Her collection is our fastest selling line this year and accounts for about 20% of our turnover. So she’s been a great designer and ambassador.”

Turning to business plans for the Group, Mr Lin, who is also the founder and Chairman of RRM, added: “We are exploring the possibility of introducing international brands to the mainland Chinese. Any partnership with a foreign label will be in the form of an equity joint venture on top of the distribution agreement. This will protect both parties and establish an equitable relationship over the longer term.”

RRM is 55% owned by The Style Merchants, the new name Netelusion adopted in June 2010 to reflect its new strategic direction and business. Netelusion was first listed on the Singapore Exchange in July 2000 as North 22 Technology Services Group Ltd, an IT systems integrator in China. It then diversified into the online gaming business but has been looking to chart a new course for its future following lacklustre performance in recent years. In June 2009, it was placed on the SGX watch list after it made losses for three consecutive years.

RRM was the brainchild of Mr Lin, a Hong Kong Chinese who has more than 25 years of experience launching and managing businesses. Prior to RRM, he was managing partner of Asia Capitol Ltd, a private equity syndication company focusing on the Chinese consumer market. He had also worked for Unisys and Datacraft in Hong Kong before launching Asia Online Ltd, Hong Kong's first consumer internet services firm.

The acquisition of RRM was completed and approved by shareholders in May 2010. In addition to fashion retail, the Group operates interactive entertainment businesses of online gaming and virtual communities which are targeted at youths in China, US, Europe and Southeast Asia.

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