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* Asterisks denote mandatory information

Name of Announcer *	THE STYLE MERCHANTS LIMITED
Company Registration No.	N.A.
Announcement submitted on behalf of	THE STYLE MERCHANTS LIMITED
Announcement is submitted with respect to *	THE STYLE MERCHANTS LIMITED
Announcement is submitted by *	Michael Ng Lai Yick
Designation *	Executive Chairman
Date & Time of Broadcast	06-Sep-2010 19:58:39
Announcement No.	00113

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	PROPOSED ACQUISITION OF CELEBRITY NEXT LIMITED
Description	Please see attached.

Attachments

 [Acqn-CelebrityNext.pdf](#)
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STYLE MERCHANTS LIMITED
(Incorporated in Bermuda)
(Company Registration No.: 27671)

PROPOSED ACQUISITION OF CELEBRITY NEXT LIMITED

1. INTRODUCTION

The Board of Directors of The Style Merchants Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), is pleased to announce that it has today entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with Asia Outlook Limited (the "**Vendor**" and together with the Company, the "**Parties**"), pursuant to which, the Company shall purchase from the Vendor 300 ordinary shares in the share capital Celebrity Next Limited ("CNL") representing the entire issued share capital of CNL (the "**CNL Shares**") (the "**Proposed Acquisition**"). In consideration for the CNL Shares, the Company shall allot and issue to the Vendors new Shares representing in aggregate approximately 1.6% of the total issued Shares.

Following the completion of the Proposed Acquisition, CNL shall become a wholly-owned subsidiary (as defined in the Bermuda Companies Act) of the Company.

2. RATIONALE FOR THE PROPOSED ACQUISITION

2.1 Background of CNL

CNL is a company registered in the British Virgin Islands with a wholly-owned subsidiary Carnaby (Shanghai) Co, Ltd ("**Carnaby SH**"). By entering into an agreement in December 2009 with Beijing Retail Resources Fashion Co, Ltd ("RRF"), a subsidiary of the Company, Carnaby SH would set up self-operated retail stores in Shanghai and establish a franchise network of Carnaby shops throughout East China region.

In July 2010, Carnaby SH has 2 existing self-operated stores in Shanghai and 1 franchise store in East China. In addition, Carnaby SH is providing sales management service to 1 self-operated store held by RRF in a department store in Shanghai.

2.2 Rationale for the Proposed Acquisition

After the completion of (i) the acquisition of the 55% interests in Retail Resources Management Limited and its subsidiaries in May 2010 and (ii) the Rights Issue in June 2010 which raised more than S\$9 million, the Company has embarked on an expansion plan of Fashion Retail business in China by setting up more self-operated retail shops in the first tier cities while having the franchisees to operate in other cities.

In the coming months, the Company expects to set up more than 10 self-operated retail shops in major cities, with at least 4 in Shanghai. Considering Shanghai and East China region are the most important and strategic footprints in the nationwide sales network, the Company expects rapid growth in terms of retail stores and sales revenue in this area. Maintaining a hybrid business model of self-operated stores, direct and indirect franchisees in Shanghai and East China region will present operating and marketing challenges and difficulties.

Therefore, in order to establish a unified management structure and branding that are essential to the long term prospects of the business, it is necessary to assume the full ownership and control of the existing operation of CNL instead of having it as a franchisee.

3. **CONSIDERATION**

The consideration payable by the Company for the CNL Shares is RMB3,200,000 (the "**Consideration**"), which shall be fully satisfied by the Company by its allotment and issue of an aggregate of 13,732,174 new Shares (the "**Consideration Shares**") to the Vendor on completion of the purchase of the CNL Shares ("**SPA Completion**") representing approximately 1.6% of the Company's total issued Shares, at an issue price of S\$0.46 being the average closing price of the preceding 10 market days.

The Consideration Shares shall, when allotted and issued pursuant to the Sale and Purchase Agreement, be credited as fully paid, free from all and any encumbrances whatsoever, and shall rank *pari passu* in all respects with and carry all rights similar to, one another as well as other issued Shares existing as at the date of issue.

The Company will be making an application to the Singapore Exchange Trading Limited ("**SGX-ST**") to list and quote the Consideration Shares on the Official List of the SGX-ST.

The Acquisition Consideration was arrived at after arms' length negotiations on a 'willing-buyer, willing-seller' basis, taking into account amongst other things, the capital contribution of the Vendor into CNL, prevailing market conditions, and the financial performance, position and business prospects of both the Company and CNL as at 31 July 2010.

4. **FINANCIAL EFFECT**

The Proposed Acquisition and is not expected to have any material impact on the earnings per share or net tangible assets per share of the Company for the current financial year ending 31 March 2011.

5. APPLICATION OF CHAPTER 10 OF THE LISTING MANUAL

The Proposed Acquisition is a non-discloseable transaction under the meaning of Chapter 10 of Listing Manual of the SGX-ST.

6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition

7. DOCUMENT FOR INSPECTION

A copy of the Sale and Purchase Agreement is available for inspection during normal business hours at the office of the Company's share transfer agent in Singapore at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD OF
THE STYLE MERCHANTS LIMITED

NG LAI YICK
Executive Chairman

6 September 2010