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Acquisitions and Disposals :: Major Transaction :: PROPOSED DISPOSAL OF ALL THE SHARES IN THE CAPITAL OF NETELUSION (HONG KONG) LIMITED

* 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
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	PROPOSED DISPOSAL OF ALL THE SHARES IN THE CAPITAL OF NETELUSION (HONG KONG) LIMITED
Description	Please see attached.

Attachments

 [TSM-ShDisposal.pdf](#)
 Total size = **55K**
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THE STYLE MERCHANTS LIMITED

(Incorporated in Bermuda)

(Company Registration No. 27671)

PROPOSED DISPOSAL OF ALL THE SHARES IN THE CAPITAL OF NETELUSION (HONG KONG) LIMITED

1. INTRODUCTION

- 1.1 **Disposal.** The Board of Directors of The Style Merchants Limited (the “**Company**”) wishes to announce that the Company had, after trading hours on 13 January 2011, entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Marvel Day Enterprises Limited (the “**Purchaser**”), relating to the sale by the Company, and purchase by the Purchaser, of 3,000,000 ordinary shares (the “**Sale Shares**”) in the capital of NeteLusion (Hong Kong) Limited (“**NL**”), representing all of the issued shares (the “**NL Shares**”) in the capital of NL (the “**Disposal**”).

Completion of the Disposal (“**Completion**”) is subject to the conditions precedent set out in **Section 2.3** of this Announcement (the “**Conditions Precedent**”) being satisfied.

2. THE DISPOSAL

- 2.1 **Disposal of the Sale Shares.** The Purchaser shall purchase from the Company, and the Company shall sell to the Purchaser, the Sale Shares, together with each right attaching to the Sale Shares at or after Completion, free of any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, with the exception of liens arising by operation of law in the normal course of business of NL or any of its subsidiaries (collectively, the “**NL Group Companies**” and each, the “**NL Group Company**”).

2.2 **Aggregate Consideration.**

- 2.2.1 The Sale Shares will be acquired at a consideration of US\$0.083 for each Sale Share (the “**Purchase Price**”), amounting to an aggregate consideration of US\$250,000.00 for all the Sale Shares (the “**Aggregate Consideration**”).

2.2.2 The Purchase Price was arrived at after negotiations on a willing-buyer, willing-seller basis, and is to be satisfied wholly in cash. In arriving at the Purchase Price, the Company has taken into account, *inter alia*, current market conditions, the prospects of NL and the strategic merits and rationale of the Disposal as set out in more detail in **Section 5** of this Announcement.

2.2.3 Payment of the Aggregate Consideration is to be made by the Purchaser to the Company on the following terms:

- (i) a deposit of US\$100,000.00 to be paid on or prior to the date falling five days from the date of the Sale and Purchase Agreement;
- (ii) a completion payment of US\$75,000.00 to be paid on Completion; and
- (iii) a final payment of US\$75,000.00 to be paid on or prior to the date falling three months from the date of Completion (the "**Completion Date**"),

such payments to be made:

- (a) by delivering to the Company a cashier's order drawn on any licensed bank in Singapore or Hong Kong and made payable to the Company for the relevant amount;
- (b) by telegraphic transfer of immediately available funds to the Company's specified bank account; or
- (c) in such other manner as the Company and the Purchaser may agree in writing.

2.3 Conditions Precedent. Completion will occur upon the satisfaction of the following conditions:

2.3.1 the Disposal being approved by the shareholders of the Company (the "**Shareholders**") at a general meeting (the "**SGM**") to be convened for that purpose by the Company; and

2.3.2 the approvals necessary or desirable for or in respect of the Disposal having been obtained from appropriate governments, governmental, courts or other regulatory bodies (including, without limitation, the Singapore Exchange

Securities Trading Limited (the "SGX-ST")) on terms satisfactory to the Company and such approvals remaining in full force and effect.

Upon satisfaction of the Conditions Precedent, Completion is expected to occur on the date falling three days (other than a Saturday, Sunday or gazetted public holiday in Hong Kong and Singapore) after the date on which all the Conditions Precedent are satisfied (or such later date as the Company and the Purchaser may agree in writing).

2.4 Long Stop Date. The current long stop date for the satisfaction of the Conditions Precedent as set out in the Sale and Purchase Agreement is 30 April 2011 (or such other date as the Company and the Purchaser may agree in writing).

2.5 Completion. As required by the SGX-ST, on Completion, the Purchaser shall issue a confirmation to the SGX-ST (with a copy to the Company) confirming that it is not, directly or indirectly, related to any of the following:

2.5.1 Retail Resources Management Limited;

2.5.2 Universal Chinese Limited;

2.5.3 Head Team Limited;

2.5.4 Best Coach Limited;

2.5.5 Pacific Finance Services Limited;

2.5.6 Market Thrive Limited;

2.5.7 Celebrity Next Limited;

2.5.8 Asia Outlook Limited; and

2.5.9 the controlling shareholders and/or directors of the Company.

2.6 Post-Completion Balance Payment. On or prior to the date falling one month from the Completion Date, the Purchaser shall procure that NL pays to the Company an amount in cash (the "**Balance Payment**") equal to the sum of the balance due from the NL Group Companies to the Company as at the Completion Date (the "**Account Balance**") after deducting the the excess of the total liabilities over the total assets of the NL Group Companies as at Completion Date (the "**Net Deficit Value**").

Both the Account Balance and the Net Deficit Value shall be determined based on the unaudited management accounts relating to each NL Group Company and to the NL Group Companies drawn up to the Completion Date.

The Balance Payment shall be payable by NL to the Company:

- 2.6.1 by delivering to the Company a cashier's order drawn on any licensed bank in Singapore or Hong Kong and made payable to the Seller for the amount of the Balance Payment;
- 2.6.2 by telegraphic transfer of immediately available funds to the Company's specified bank account; or
- 2.6.3 in such other manner as may be agreed between the Company and the Purchaser in writing.

3. INFORMATION ON THE PURCHASER

- 3.1 **The Purchaser.** The Purchaser is a private company limited by shares incorporated in the British Virgin Islands on 22 April 2008 and is engaged in the business of investment holding.

As at the date of this Announcement, the directors of the Purchaser are (i) Mr Chan Tze Ngon, and (ii) Mr Lau Hung Lun Alan.

4. INFORMATION ON NL

- 4.1 **NL.** NL is a company incorporated in Hong Kong and has, at the date of this Announcement, an issued and paid-up share capital of HK\$3,000,000.00, comprising 3,000,000 paid-up ordinary shares with a par value of HK\$1.00 each. The Company owns 100 per cent. of the issued and paid-up share capital of NHKL.

As at the date of this Announcement, the directors of NL are (i) Mr Ng Lai Yick, and (ii) Ms Ho Nga Yee.

- 4.2 **Principal Activities.** NL is an investment holding company. Its subsidiaries are engaged in the business of providing online game services as well as development and operating online games (the "**Gaming Business**").
- 4.3 **Asset value.** As at 30 September 2010, the book value of the NL Shares was approximately HK\$3,000,000.00 (approximately equivalent to US\$385,000.00) and the net deficit value of the NL Shares was approximately US\$2,287,000.00.

5. RATIONALE FOR THE DISPOSAL

- 5.1 Rationale.** Upon the completion of the acquisition of Retail Resources Management Limited in late May 2010, the Gaming Business was no longer a core business of the Company. The Company does not currently have sufficient resources to carry on both the Gaming Business as well as its fashion retail business (the "**Fashion Retail Business**") in a profitable manner. (Please refer to the Company's circular to Shareholders dated 28 April 2010 and announcements issued on 25 May 2010 and 30 September 2010 for further details on the Fashion Retail Business.) The Gaming Business, while viable, will require substantially more working capital and research and development, as compared with the Fashion Retail Business, to achieve profitability.

The Directors are of the view that it is in the best interest of the Company to proceed with the Disposal, so that the Company may consolidate its resources and concentrate on the future core business of the Company in the Fashion Retail Business.

6. FINANCIAL EFFECTS OF THE DISPOSAL

- 6.1 Assumptions.** The proforma financial effects of the Disposal on (i) the consolidated net tangible assets ("**NTA**") per share of the Company, and (ii) the consolidated earnings per share ("**EPS**") of the Company set out below, are prepared purely for illustration only and do not reflect the future financial performance and condition of the Company after the Disposal.

The proforma financial effects in **Sections 6.3** and **6.4** of this Announcement do not include the costs and expenses associated with the Disposal.

- 6.2 Financial Statements.** The proforma financial effects in **Sections 6.3** and **6.4** of this Announcement have been prepared based on the latest audited consolidated financial statements of the Company for the financial year ended 31 March 2010 ("**FY10**").

- 6.3 NTA per share.** For illustrative purposes only and assuming that the Disposal had been completed on 31 March 2010, being the end of the most recently completed financial year, the proforma financial effects on the consolidated NTA per share of the Company for FY2010 are as follows:

	Before the Disposal	After the Disposal
NTA attributable to Shareholders ⁽¹⁾ (US\$ million)	8.70	9.14
NTA per share ⁽²⁾ (US cents)	0.99	1.04

Notes:

- (1) The NTA figures are calculated based on the assumption that rights issue of 670,000,000 shares and the acquisition of the Fashion Retail Business had been completed on 31 March 2010.
- (2) Based on 882,121,423 shares of the Company in issue as at the market day immediately preceding the date of this Announcement (the "**Latest Practicable Date**"). The calculations have been made without taking into account the exercise of options granted under the share option scheme implemented by the Company, if any.

6.4 EPS. For illustrative purposes only and assuming that the Disposal had been effected on 1 April 2009, being the beginning of the most recently completed financial year, the proforma financial effects on the consolidated earnings of the Company for FY2010 are as follows:

	Before the Disposal	After the Disposal
Profits attributable to Shareholders ⁽¹⁾ (US\$ million)	(3.06)	(1.94)
Earnings per share ⁽²⁾ (US cents)	(0.36)	(0.23)

Notes:

- (1) The term "**profits attributable to Shareholders**" means profits or losses after tax and minority interest. The figures for the profits attributable to Shareholders are calculated based on the assumption that the acquisition of the Fashion Retail Business had been effected on 1 April 2009.
- (2) Based on the weighted average number of 856,206,355 shares of the Company in issue for the year ended 31 March 2010, with the adjustment for the rights issue of 670,000,000 shares and the total number of 49,798,841 shares as consideration for the acquisition of the Fashion Retail Business.

7. PROCEEDS FROM THE DISPOSAL

- 7.1 **Net Sale Proceeds.** The net sale proceeds from the Disposal, after deducting all costs and expenses associated with the Disposal, is estimated to be US\$230,000.00 (the "**Net Proceeds**"). Accordingly, the excess of the Net Proceeds over the book value of the NL Shares and after written off of non-recoverable amount due from NL is approximately US\$230,000.00. The gain on Disposal is approximately US\$230,000.00.
- 7.2 **Use of Proceeds.** The Net Proceeds will be used as working capital for the Company.

8. MAJOR TRANSACTION

- 8.1 **Relative Figures.** The relative figures for the Disposal computed on their relevant bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**") are set out below:

Rule 1006	Bases	The Disposal (US\$'000)	Group¹ (US\$'000)	Relative Figures (%)
(a)	Net asset ² value of the assets to be disposed of, compared with the Group's net asset value	(2,287)	8,062	-28.4
(b)	Net profits ³ attributable to the Sale Shares, compared with the Group's net profits	(904)	(1,775)	-50.9

¹ Pursuant to the Listing Manual, the term "**Group**" means the Company and its subsidiaries (and the guarantor company, if any).

² Pursuant to Rule 1002(3)(a) of the Listing Manual, the term "**net assets**" means total assets less total liabilities.

³ Pursuant to Rule 1002(3)(b) of the Listing Manual, the term "**net profits**" means profit or loss before income tax, minority interests and extraordinary items. Net profits refer to profits earned in the 6-month period ended 30 September 2010.

Rule 1006	Bases	The Disposal (US\$"000)	Group¹ (US\$"000)	Relative Figures (%)
(c)	Aggregate Consideration to be received, compared with the Company's market capitalisation ⁴	250	34,187	0.7
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.	N.A.	N.A.

8.2 Shareholders' Approval. As the relative figures as computed pursuant to Rules 1006(a) and 1006(b) of the Listing Manual exceeds 20 per cent., the Disposal constitutes a major transaction by the Company under Chapter 10 of the Listing Manual. Pursuant to Rule 1014 of the Listing Manual, the Company must obtain the approval of the Shareholders for the Disposal in a general meeting prior to Completion.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

9.1 Directors

9.1.1 Interests: Mr Ng Lai Yick, the Executive Chairman of the Company, is also a director of NL. The shareholding of Mr Ng Lai Yick is set out in **Section 9.1.2** of this Announcement below.

9.1.2 Interests in shares: As at the Latest Practicable Date, the interests of the Directors in shares of the Company, as recorded in the Company's Register of Directors' Shareholdings, are as follows:

⁴ Pursuant to Rule 1002(5) of the Listing Manual, the "market capitalisation of the Company" is determined by multiplying 882,121,423 shares of the Company in issue as at 12 January 2011 (being the market day immediately preceding the date of the Sale and Purchase Agreement) by the weighted average price of such shares transacted on such date.

Directors	Direct Interest		Deemed Interest ⁽¹⁾		Total Interest	
	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾	No. of shares	% ⁽²⁾
Ng Lai Yick	-	-	80,569,438	9.13	80,569,438	9.13
Samuel Lin Jr.	760,000	0.09	59,003,800	6.69	59,763,800	6.78
Daniel Wong Chu Kee	-	-	1,912,500	0.22	1,912,500	0.22
John Lim Yew Kong	-	-	-	-	-	-
Pang Seng Tuong	-	-	-	-	-	-
Flora Zeta Pavlova Cheong-leen	-	-	-	-	-	-

Notes:

- (1) Indirect interests refer to interests determined pursuant to Section 7 of the Companies Act.
- (2) Based on 882,121,423 shares in the Company as at the Latest Practicable Date.

9.1.3 Directors' Service Contracts: No person is proposed to be appointed as a Director in connection with the Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

Save as disclosed above, and based on the information available to the Company as at the Latest Practicable Date, none of the Directors of the Company has any interest, direct or indirect, in the Disposal.

9.2 Controlling Shareholders

Based on the information available to the Company as at the Latest Practicable Date, there are no controlling shareholders in the Company.

10. RESPONSIBILITY STATEMENT

The Directors of the Company (including those who have been delegated supervision of this Announcement) have collectively and individually accepted full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed in this Announcement are accurate and fair in all material aspects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading.

11. GENERAL INFORMATION

- 11.1 Expected Timeline.** The expected timeline for the Disposal is set out in the **Schedule** to this Announcement.
- 11.2 SGM.** A Circular setting out relevant information in relation to the Disposal, will be issued in due course to the Shareholders, together with the notice of the SGM to be convened for the purpose of obtaining Shareholder's approval for the Disposal.
- 11.3 Documents for Inspection.** A copy of the Sale and Purchase Agreement is available for inspection by Shareholders at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours for a period of three months from the date of this Announcement.

BY ORDER OF THE BOARD

Ng Lai Yick

Executive Chairman

14 January 2011

Singapore

THE SCHEDULE

Expected Timeline for the Disposal

Event	Date
Date of signing of Sale and Purchase Agreement	: 13 January 2011
Expected date of the SGM	: By end March 2011
Expected date of satisfaction of the Condition Precedent and Completion ⁽¹⁾	: By end March 2011

Shareholders should note that save for the date of signing of the Sale and Purchase Agreement, the above timeline is indicative only and may be subject to change. For the events listed above which are described as “expected”, please refer to future announcement(s) by the Company for the exact dates of such events.

Note:

- (1) Assuming the approval of the Shareholders for the Disposal is obtained at the SGM.