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Full Year Results * Financial Statement And Related Announcement

* Asterisks denote mandatory information

Name of Announcer *	THE STYLE MERCHANTS LIMITED
Company Registration No.	27671
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	30-May-2011 22:23:01
Announcement No.	00165

>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	31-03-2011

Description	Please see attached.

Attachments

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The Style Merchants Limited

Unaudited Financial Statement And Dividend Announcement for the Full Year Ended 31 March 2011

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited consolidated income statement for the financial year ended 31 March 2011.

	Note	**2011** **US$'000**	2010 (Restated) US$'000	% increase/ (decrease)
Continuing operations				
Revenue		**3,048**	-	*N/M*
Cost of sales		**(1,243)**	-	*N/M*
Gross profit		**1,805**	-	*N/M*
Administrative expenses		**(1,632)**	(500)	*226%*
Other operating expenses		**(3,423)**	(74)	*4526%*
Provision for impairment of non-current assets		**(279)**	-	*N/M*
	1	**(3,529)**	(574)	*515%*
Finance income - bank interest income		**1**	-	*N/M*
Finance cost		**(16)**	-	*N/M*
Finance (costs)/income, net		**(15)**	-	*N/M*
Loss before income tax		**(3,544)**	(574)	*517%*
Income tax credit		**42**	-	*N/M*
Loss for the year from continuing operations		**(3,502)**	(574)	*510%*
Discontinued operations				
Loss for the year from discontinued operations	2	**(1,024)**	(1,225)	*(16%)*
Loss for the year		**(4,526)**	(1,799)	*152%*
Attributable to:				
Equity holders of the Company		**(3,505)**	(1,799)	*95%*
Non-controlling Interests		**(1,021)**	-	*N/M*
		(4,526)	(1,799)	*152%*
Basic loss per share				
- From continuing operations (US cents)		**0.34**	0.27	*26%*
- From discontinued operations (US Cents)		**0.13**	0.57	*(77%)*
		0.47	0.84	*(44%)*
Diluted loss per share				
- From continuing operations (US cents)		**0.34**	0.27	*26%*
- From discontinued operations (US cents)		**0.13**	0.57	*(77%)*
		0.47	0.84	*(44%)*

(1(a)) (Continued)

Unaudited consolidated statement of comprehensive loss for the year ended 31 March 2011.

	2011	2010	% increase/ (decrease)
	US$'000	US$'000	
Comprehensive loss:			
Loss for the year	**(4,526)**	(1,799)	*152%*
Other comprehensive income/(loss):			
Currency translation differences	**194**	17	*1041%*
Translation reserve released on disposal of subsidiaries	**7**	-	*N/M*
Total comprehensive loss for the year	**(4,325)**	(1,782)	*143%*
Total comprehensive loss attributable to:			
- Equity holders of the Company	**(3,335)**	(1,782)	*87%*
- Non-controlling interests	**(990)**	-	*N/M*
	(4,325)	(1,782)	*143%*

N/M = not meaningful

Notes:

1. Expenses by nature:

	2011	2010	*%increase/ (decrease)*
	US$'000	US$'000	
Continuing operations:			
Cost of inventories sold	1,243	-	*N/M*
Advertising costs and marketing expenses	844	26	*3146%*
Exchange gains, net	(509)	(122)	*317%*
Depreciation of property, plant and equipment	251	3	*8267%*
Amortisation of intangible assets	167	-	*N/M*
Employee benefit expenses	1,633	500	*227%*
Loss on disposal of property, plant and equipment	55	-	*N/M*
Operating lease rentals for land and buildings	1,080	95	*1037%*
Provision for impairment of inventories	67	-	*N/M*
Reversal of impairment of trade receivables	(8)	-	*N/M*
Provision for impairment of non-current assets	279	-	*N/M*
Others expenses	1,475	72	*1949%*
	6,577	574	*1046%*
Discontinued operations:			
Cost of inventories sold	215	200	*8%*
Other cost of sales	600	801	*(25%)*
Advertising costs and marketing expenses	461	231	*100%*
Exchange losses, net	112	89	*26%*
Depreciation of property, plant and equipment	31	28	*11%*
Employee benefit expenses	1,390	1,378	*1%*
(Gain)/loss on disposal of property, plant and equipment	7	(5)	*(240%)*
Operating lease rentals for land and buildings	154	165	*(7%)*
Provision for impairment of interests in associates	-	12	*N/M*
Amortisation of intangible assets	20	-	*N/M*
Gain on disposal of subsidiaries	(354)	-	*N/M*
Others expenses	568	508	*12%*
	3,204	3,407	*(6%)*
	9,781	3,981	*146%*

2. Loss for the year from discontinued operations

	2011	2010	% increase/ (decrease)
	US$'000	US$'000	
Attributable to :			
Equity holders of the Company	**(967)**	**(1,225)**	*(21%)*
Non-controlling interests	**(57)**	**-**	*N/M*
Loss for the year from discontinued operations	**(1,024)**	**(1,225)**	*(16%)*

3. Disposal of NeteLusion (Hong Kong) Limited and its subsidiaries ("NHKL Group")

On 19 April 2010, the Company 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 31 March 2011, the Company disposed of the entire issued and paid-up share capital of 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 gain on disposals amounted to US$354,000.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group		Company	
		2011	2010	**2011**	2010
		US$'000	US$'000	**US$'000**	US$'000
ASSETS					
Non-current assets					
Investments in subsidiaries	a,c	**-**	-	**1,866**	-
Goodwill	a,b,c	**991**			
Intangible assets		**1,393**	-	**-**	-
Property, plant and equipment		**385**	-	**-**	-
Interests in associates		**-**	-	**-**	-
		2,769	-	**1,866**	-
Current assets					
Amounts due from subsidiaries		**-**	-	**5,155**	1,270
Financial assets at fair value through profit or loss	b	**-**	-	**1,341**	
Inventories		**1,517**	16	**-**	-
Trade receivables		**341**	35	**-**	-
Deposits, prepayments and other receivables		**834**	194	**4**	6
Cash and cash equivalents		**2,659**	2,556	**117**	17
		5,351	2,801	**6,617**	1,293
Total assets		**8,120**	2,801	**8,483**	1,293
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital		**8,821**	1,804	**8,821**	1,804
Reserves		**(2,449)**	(511)	**(522)**	(511)
		6,372	1,293	**8,299**	1,293
Non-controlling interests		**(494)**	-	**-**	-
Total equity		**5,878**	1,293	**8,299**	1,293
LIABILITIES					
Non current liabilities					
Loans from shareholders		**424**	-	**-**	-
Deferred income tax liabilities		**348**	-	**-**	-
		772	-	**-**	-
Current liabilities					
Trade payables		**273**	8	**-**	-
Other payables and accruals		**1,197**	1,500	**184**	-
		1,470	1,508	**184**	-
Total liabilities		**2,242**	1,508	**184**	-
Total equity and liabilities		**8,120**	2,801	**8,483**	1,293

(1(b)(i) Continued)

Note a:
On 25 May 2010, the Company acquired 55% shareholding of Retail Resources Management Limited ("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$1.65 million (or equivalent to US$1.2 million), 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 recognise RRM's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date.

The following table summarises 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:	US$'000
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 b)	94
Total consideration	1,295
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	4
Property, plant and equipment	438
Brandname (included in intangibles assets)	679
Favourable contract in respect of celebrity branding (included in intangibles assets)	553
Inventories	713
Trade and other receivables	471
Trade and other payables	(1,059)
Loans from shareholders	(746)
Deferred income tax liabilities	(308)
Total identifiable net assets	745
Non-controlling interests	(336)
Goodwill	886
	1,295

Note b:
In connection with the acquisition, the Company subscribed for RRM's convertible and interest-free loan at a total principal amount of S$2 million (or equivalent to US$1.4 million). S$1 million 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 recognised as financial asset at FVTPL on the Company's book while as financial liability at FVTPL on RRM's book; accordingly, these balances are eliminated at group level while the non-controlling interests take up its interest in the financial liability in RRM.

(1(b)(i) Continued)

Note b : (continued)

Based on the valuation report prepared by an independent professional valuer, the convertible loan was valued at S$1.7 million (or equivalent to US$1.2 million) 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$0.3 million (or equivalent to US$0.2 million).

As of 31 March 2011, the fair value of the convertible loan amounted to S$ 1.7 million (or equivalent to US$1.3 million).

Note c:

On 1 October 2010, the Company acquired 100% shareholding of Celebrity Next Limited ("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.

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

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

	US$'000
At 1 October 2010	
- Equity instruments (13,732,174 ordinary shares)	456
Total consideration	**456**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	43
Property, plant and equipment	60
Reacquired rights (included in intangibles assets)	270
Trade and other receivables	162
Trade and other payables	(79)
Deferred income tax liabilities	(68)
Total identifiable net assets	388
Goodwill	68
	456

(1(b)(i) Continued)

Note d:

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 information was prepared on a going concern basis, which assumes, among other things, the realization of assets and satisfaction of liabilities as and when they fall due.

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Not applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	2011 US$'000	2010 US$'000
Cash flows from operating activities		
Loss before income tax	**(4,526)**	(1,789)
Adjustments for:		-
Depreciation of property, plant and equipment	**282**	31
Amortization of intangible assets	**187**	-
Loss/(gain) on disposal of property, plant and equipment	**62**	(5)
Provision for impairment of inventories	**67**	-
Reversal of impairment of trade receivables	**(8)**	-
Provision for impairment of non-current assets	**279**	-
Provision for impairment of interests in associates	**-**	12
Interest expenses	**16**	-
Interest income	**(9)**	(6)
Gain on disposal of subsidiaries	**(354)**	-
Changes in working capital (excluding the offsets of exchange differences on consolidation):	**(4,004)**	(1,757)
Inventories	**(863)**	11
Receivables	**(571)**	(44)
Payables	**49**	508
Cash used in operations	**(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	**(603)**	(31)
Disposal of subsidiaries - net of cash disposed	**(420)**	-
Acquisition of subsidiaries - net of cash acquired	**47**	-
Purchase of intangible asset	**(104)**	-
Proceeds from sale of property, plant and equipment	**-**	5
Net cash used in investing activities	**(1,080)**	(26)
Cash flows from financing activities		
Interest paid	**(16)**	-
Interest received	**9**	6
Repayment of loans from shareholders	**(319)**	-
Proceeds from issue of shares - net of expenses	**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	**2,659**	2,556

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Contributed surplus US$'000	Share-based compensation reserve US$'000	Accumulated losses US$'000	US$'000	US$'000
Group									
Balance at 1 April 2010	1,804	4,666	(221)	(6)	-	194	(5,144)	-	1,293
Comprehensive loss									
Loss for the period	-	-	-	-	-	-	(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) for the period	-	-	-	170	-	-	(3,505)	(990)	(4,325)
Transaction with owners									
Non-controlling interests arising on acquisition of a subsidiary	-	-		-	-	-	-	430	430
Transfer (note a)	-	-	221	-	-	-	(221)	-	-
Non-controlling interests released on disposal of subsidiaries	-	-	-	-	-	-	-	66	66
Issue of ordinary shares under rights issue, net of transaction cost	6,513	344	-	-	-	-	-	-	6,857
Issue of ordinary shares related to acquisition of subsidiaries, net of transaction cost	504	1,053	-	-	-	-	-	-	1,557
Reclassification due to lapse of share options	-	-	-	-	-	(127)	127	-	-
Balance at 31 March 2011	8,821	6,063	-	164	-	67	(8,743)	(494)	5,878

	Attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compensation reserve	Accumulated losses		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group									
Balance at 1 April 2009	1,504	3,439	(221)	(23)	1,957	194	(5,302)	-	1,548
Comprehensive loss									
Loss for the period	-	-	-	-	-	-	(1,799)	-	(1,799)
Other comprehensive income									
Currency translation differences	-	-	-	17	-	-	-	-	17
Total comprehensive income/(loss) for the year	-	-	-	17	-	-	(1,799)	-	(1,782)
Transactions with owners									
Issue of ordinary shares for cash	300	1,227	-	-	-	-	-	-	1,527
Transfer (note b)	-	-	-	-	(1,957)	-	1,957	-	-
Balance at 31 March 2010	1,804	4,666	(221)	(6)	-	194	(5,144)	-	1,293

	Attributable to equity holders of the Company							
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Exchange reserve US$'000	Contributed surplus US$'000	Share-based compensation reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Company								
Balance at 1 April 2010	1,804	4,666	-	-	-	194	(5,371)	1,293
Comprehensive loss								
Loss for the year	-	-	-	-	-	-	(1,408)	(1, 408)
Total comprehensive loss	-	-	-	-	-	-	(1, 408)	(1, 408)
Transaction with owners								
Issue of ordinary shares under rights issue, net of transaction and acquisition cost	6,513	344	-	-	-	-	-	6,857
Issue of ordinary shares related to acquisition of subsidiaries, net of transaction cost	504	1,053	-	-	-	-	-	1,557
Reclassification due to lapse of share options	-	-	-	-	-	(127)	127	-
Balance at 31 March 2011	8,821	6,063	-	-	-	67	(6,652)	8,299
Balance at 1 April 2009	1,504	3,439	-	-	1,957	194	(5,736)	1,358
Comprehensive loss								
Loss for the year	-	-	-	-	-	-	(1,592)	(1,592)
Total comprehensive income	-	-	-	-	-	-	(1,592)	-
Transaction with owners								
Issue of new shares for cash	300	1,227	-	-	-	-	-	1,527
Transfer (note b)	-	-	-	-	(1,957)	-	1,957	-
Balance at 31 March 2010	1,804	4,666	-	-	-	194	(5,371)	1,293

Note a: Pursuant to the directors’ approval on 30 March 2011, a balance of merger reserve of US$221,000 was applied to set off the accumulated losses of the Company as at that day.

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

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

a) Issued ordinary shares

	No. of shares	US$'000
As at 1 April 2010	180,422,582	1,804
Issue of ordinary shares under rights issue (note 1)	651,300,000	6,513
Issue of ordinary shares related to acquisition of subsidiaries (note 2, 3)	50,398,841	504
	882,121,423	8,821

Note 1: 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).

Note 2: 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.

Note 3: On 30 September 2010, the Company issued 13,732,174 new ordinary shares for the acquisition of 100% shareholding of Celebrity Next Limited. The transaction was completed on 1 October 2010.

There is no issue of share under the existing share option scheme since the end of the previous period reported on.

b) There were no outstanding convertibles and treasury shares as at 31 March 2011 (2010: Nil).

c) Details of outstanding share options granted to the employees, under the existing share option scheme including directors of the Company, as at 31 March 2011 are as follows:-

	Number of unissued ordinary shares of US$0.01 each under option				
Exercise price US$	**Balance at 1 April 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at 31 March 2010**
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

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued shares excluding treasury shares as at 31 March 2011 was 882,121,423 (2010: 180,422,582 shares).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have not been audited, or reviewed by auditors in accordance with auditing or review standards.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 March 2010, except as disclosed under item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The following new standards, amendments and interpretations are mandatory for the year ended beginning 1 April 2010 which are relevant to the Group's operation.

- 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-contribute interest in the acquiree.

  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 recognised 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 Retail business as the cash-generating unit to which goodwill should be allocated for impairment testing.

- 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, '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 recognised 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.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	2011	2010 (Restated)
Basic loss per share		
- From continuing operations (US cents)	**0.34**	0.27
- From discontinued operations (US cents)	**0.13**	0.57
	0.47	0.84
Diluted loss per share		
- From continuing operations (US cents)	**0.34**	0.27
- From discontinued operations (US cents)	**0.13**	0.57
	0.47	0.84

The basic loss per share attributable to equity holders of the Company is calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the year of 737,545,017 (2010 : 221,583,338) of US$0.01 each.

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 for the years ended 31 March 2011 and 2010. The loss per share on a fully diluted basis is calculated based on the weighted average number of ordinary shares of 737,545,017 (2010: 221,583,338) in issue during the year.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		**Company**	
	31-Mar-11	31-Mar-10	**31-Mar-11**	31-Mar-10
	US cents	US cents	**US cents**	US cents
Net asset value per ordinary share based on issued share capital	**0.666**	0.717	**0.941**	0.717

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

FINANCIAL REVIEW

FY2011 VS FY2010

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$1.8 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 operation.

The Group disposed the gaming business segment 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 business segment of US$354,000.

The substantial increase in goodwill, intangible assets and current assets in FY2011 was mainly due to acquisition of the Fashion Retail business.

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.

BUSINESS SEGMENT OVERVIEW

FASHION RETAIL

Moving forward, the Group will only engage in the design, marketing and sales of fashion lifestyle products mainly for the China's market.

During the year, administrative and operating expenses were incurred for the following:

- a series of marketing promotional activities launched leading to higher marketing expenses which was part of the Group's continuous efforts to promote "the Carnaby" brand awareness.
- set up of 13 new self operating retail shops since the acquisition;
- recruit 21 new franchisees;

In view of the above expansion, additional product development, design and creative personnel, frontline sales staff and franchisee development team were recruited.

As at 31 March 2011, the Group had 22 self-operating shops and 30 franchisees.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Directors are of the opinion that the Fashion Retail business remains challenging but are cautiously optimistic of its prospects.

11. Dividend

(a) Current Financial Period Reported On
None
(b) Corresponding Period of the Immediately Preceding Financial Year
None
(c) Whether the dividend is before tax, net of tax or tax exempted
Not applicable
(d) Date payable
Not applicable
(e) Books closure date
Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended for the financial year ended 31 March 2011.

13. Segmented revenue and results for business of the group in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

	2011							2010						
	Continuing operations			Discontinued operations			Consolidated	Continuing operations			Discontinued operations			Consolidated
	Fashion Retailing Business US$'000	Unallocated US$'000	Total of continuing operation US$'000	Games Services US$'000	Games Development & operation US$'000	Total of discontinued operation US$'000	Total of continu operation US$'000	Fashion Retailing Business US$'000	Unallocated US$'000	Total US$'000	Games Services US$'000	Games Development & operation US$'000	Total of discontinued operation US$'000	Group Total US$'000
Total gross segment revenue	**3,048**	**-**	**3,048**	**282**	**1,934**	**2,216**	**5,264**	**-**	**-**	**-**	**381**	**1,829**	**2,210**	**2,210**
Inter-segment revenue	**-**	**-**	**-**	**(36)**	**-**	**-**	**(36)**	**-**	**-**	**-**	**(66)**	**-**	**(66)**	**(66)**
Revenue	**3,048**	**-**	**3,048**	**246**	**1,934**	**2,216**	**5,228**	**-**	**-**	**-**	**315**	**1,829**	**2,144**	**2,144**
LBITDA	**(2,206)**	**(626)**	**(2,832)**	**(14)**	**(1,321)**	**(1,335)**	**(4,167)**	-	(574)	(574)	(84)	(1,094)	(1,178)	(1,752)
Amortisation	**(167)**	**-**	**(167)**	**-**	**(20)**	**(20)**	**(187)**		-	-				
Depreciation	**(250)**	**(1)**	**(251)**	**-**	**(31)**	**(31)**	**(282)**	-	-	-	-	(31)	(31)	(31)
Provision for impairment of non-current assets	**(279)**	**-**	**(279)**	**-**	**-**	**-**	**(279)**	-	-	-	-	-	-	-
Provision for impairment of interests in associates	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)	(12)
Gain on disposal of discontinued operation	-	-	-	-	**354**	**354**	**354**	-	-	-	-	-	-	-
LBIT	**(2,902)**	**(627)**	**(3,529)**	**(14)**	**(1,018)**	**(1,032)**	**(4,561)**	-	(574)	(574)	(84)	(1,137)	(1,221)	(1,795)
Finance income/(cost), net	**(15)**	**-**	**(15)**	**-**	**8**	**8**	**(7)**	-	-	-	-	6	6	6
Loss before income tax	**(2,917)**	**(627)**	**(3,544)**	**(14)**	**(1,010)**	**(1,024)**	**(4,568)**	-	(574)	(574)	(84)	(1,131)	(1,215)	(1,789)
Income tax credit / (expenses)							**42**							(10)
Loss for the year							**(4,526)**							(1,799)
Segment assets	**5,243**	**2,877**	**8,120**	-	-	-	**8,120**	-	1,966	1,966	45	790	835	2,801
Segment liabilities	**(1,971)**	**(291)**	**(2,242)**	-	-	-	**(2,242)**	-	(234)	(234)	(19)	(1,255)	(1,274)	(1,508)
Capital expenditure	**453**	**3**	**-**	-	**251**	**251**	**707**	-	(1)	(1)	-	(30)	(30)	(31)

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to item 8.

15. A breakdown of sales.

	Group total		
	2011 US$'000	2010 US$'000	*% increase/ (decrease)*
Sales reported for first half year			
- From continuing operations	**739**	-	*N/M*
- From discontinued operations	**948**	959	*(1%)*
Loss after tax before non-controlling interests reported for first half year	**(1,775)**	(734)	*142%*
Sales reported for second half year			
- From continuing operations	**2,309**	-	*N/M*
- From discontinued operations	**1,232**	1,185	*4%*
Loss after tax before non-controlling interests reported for second half year	**(2,751)**	(1,065)	*158%*

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

BY ORDER OF THE BOARD
Michael Ng Lai Yick
Executive Chairman
30/5/2011