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### [Half Year Results \\* Financial Statement And Related Announcement](#)

\* 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	11-Nov-2010 18:26:48
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### [>> Announcement Details](#)

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2010
Description	Please see attached.

#### Attachments

 [HY2010-Results-111110.pdf](#)  
 Total size = **75K**  
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# The Style Merchants Limited

## Unaudited Financial Statement And Dividend Announcement for the Half Year Ended 30 September 2010

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF 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 six months ended 30 September 2010:

	Note	6 months ended 30-Sep-10 US\$'000	6 months ended 30-Sep-09 US\$'000	% increase / (decrease)
Revenue		1,687	959	76%
Cost of sales		<u>(817)</u>	<u>(473)</u>	73%
Gross profit		870	486	79%
Other gains, net		75	-	N/M
Administrative expenses		(1,231)	(832)	48%
Other operating expenses		<u>(1,483)</u>	<u>(391)</u>	279%
Operating loss		(1,769)	(737)	140%
Finance costs- interest expenses on amounts due to related parties		(10)	-	N/M
Finance income - bank interest income		<u>4</u>	<u>3</u>	33%
Loss before income tax	1	<u>(1,775)</u>	<u>(734)</u>	142%
Income tax expense		<u>-</u>	<u>-</u>	N/M
Loss for the period		<u><u>(1,775)</u></u>	<u><u>(734)</u></u>	142%
Attributable to:				
Equity holders of the Company		(1,428)	(734)	95%
Non-controlling interests		<u>(347)</u>	<u>-</u>	N/M
		<u><u>(1,775)</u></u>	<u><u>(734)</u></u>	142%

Unaudited consolidated statement of comprehensive income for the six months ended 30 September 2010:

	<b>6 months ended 30-Sep-10 US\$'000</b>	6 months ended 30-Sep-09 US\$'000	<i>% increase/ (decrease)</i>
Loss for the period	(1,775)	(734)	142%
Other comprehensive income			
Currency translation differences	87	11	691%
Reserve released on disposal of a subsidiary	(13)	-	N/M
Total comprehensive loss for the period	<u>(1,701)</u>	<u>(723)</u>	135%
Total comprehensive loss attributable to:			
Equity holders of the Company	(1,369)	(723)	89%
Non-controlling interests	<u>(332)</u>	-	N/M
	<u>(1,701)</u>	<u>(723)</u>	135%

Note:

1. Expenses by nature:

	<b>6 months ended 30-Sep-10 US\$'000</b>	6 months ended 30-Sep-09 US\$'000	<i>% increase/ (decrease)</i>
Cost of inventories sold	<b>314</b>	-	N/M
Depreciation of property, plant and equipment	<b>65</b>	-	N/M
Gain on disposal of a subsidiary	<b>(104)</b>	-	N/M
Foreign exchange gain, net	<b>(278)</b>	(23)	1109%
Loss on disposal of property, plant and equipment	<b>34</b>	-	N/M
Provision for impairment of property, plant and equipment	-	20	N/M
Provision for impairment of receivables	<b>1</b>	-	N/M
Finance income - bank interest income	<b>(4)</b>	(3)	33%
Finance costs - interest expenses on amounts due to related parties	<b>10</b>	-	N/M
Amortisation of intangible assets	<b>70</b>	-	N/M

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	
		30-Sep-10	31-Mar-10	30-Sep-10	31-Mar-10
		US\$'000	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	a,b	1,413	-	-	-
Intangible assets		383	-	-	-
Property, plant and equipment		591	-	-	-
Investments in subsidiaries	a	-	-	1,411	-
Other non-current asset	c	456	-	456	-
		<u>2,843</u>	<u>-</u>	<u>1,867</u>	<u>-</u>
<b>Current assets</b>					
Amounts due from subsidiaries		-	-	5,558	1,270
Financial assets at fair value through profit or loss	b	-	-	1,297	-
Inventories		1,255	16	-	-
Trade receivables		421	35	-	6
Deposits, prepayments and other receivables		725	194	-	-
Cash and cash equivalents		6,612	2,556	16	17
		<u>9,013</u>	<u>2,801</u>	<u>6,871</u>	<u>1,293</u>
<b>Total assets</b>		<u>11,856</u>	<u>2,801</u>	<u>8,738</u>	<u>1,293</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital		8,821	1,804	8,821	1,804
Share premium and reserves		(453)	(511)	(158)	(511)
		<u>8,368</u>	<u>1,293</u>	<u>8,663</u>	<u>1,293</u>
<b>Non-controlling interests</b>		<u>(335)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>8,033</u>	<u>1,293</u>	<u>8,663</u>	<u>1,293</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables		316	8	-	-
Other payables and accruals		2,764	1,500	75	-
Amounts due to related parties		743	-	-	-
		<u>3,823</u>	<u>1,508</u>	<u>75</u>	<u>-</u>
<b>Total equity and liabilities</b>		<u>11,856</u>	<u>2,801</u>	<u>8,738</u>	<u>1,293</u>

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 consideration transferred is S\$1.65 million (or equivalent to US\$1.2 million), being the market value of such 36,666,667 shares at the listed price of S\$0.045 each at the acquisition date.

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

As of the date of this announcement, the purchase price allocation process is ongoing and has yet to be finalised. Accordingly, in preparing the financial information for the six months ended 30 September 2010, the Company has used the historical carrying values of the net liabilities of approximately US\$0.1 million acquired together with the fair value of consideration of US\$1.2 million to derive the goodwill of US\$1.3 million. This allocation to the acquired assets and liabilities is provisional. Had the purchase price allocation been completed, the fair values of the assets and liabilities acquired and the amount of goodwill to be recorded could be materially different from the amounts recognised. These values will be adjusted in the consolidated financial statements for the year ended 31 March 2011 upon the finalisation of the purchase price allocation.

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.

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

Note c:

On 30 September 2010, the Company issued 13,732,174 new ordinary shares of the Company for the acquisition of 100% shareholding of Celebrity Next Limited. The fair value of the consideration transferred amounted to US\$456,000, being the market value of such 13,732,174 shares at the listed price of S\$0.045 each at the issue date.

The acquisition date is 1 October 2010, being the date when the Company obtained control of CNL. Accordingly, as of 30 September 2010, the issuance of shares of US\$456,000 was included as "Other non-current asset".

Note d:

The substantial increase in assets and liabilities of the Group was mainly due to consolidation of RRM's financial information subsequent to the acquisition of RRM on 25 May 2010.

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

Amounts due from related parties represent payables to RRM's non-controlling interests, of which US\$0.3 million is unsecured, interest bearing at 10% per annum and with fixed repayment terms. The rest of the amounts are unsecured, repayable on demand without collateral and non-interest bearing. Their carrying amounts approximate their fair values due to their short term maturities.

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

	<b>6 months ended</b> <b>30-Sep-10</b> <b>US\$'000</b>	6 months ended 30-Sep-09 US\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(1,775)	(734)
Adjustments for:		
Amortization of intangible asset	70	-
Depreciation of property, plant and equipment	65	-
Gain on disposal of a subsidiary	(104)	-
Loss on disposal of property, plant and equipment	34	-
Provision for impairment of property, plant and equipment	-	20
Provision for impairment of receivables	1	-
Interest expenses	10	-
Interest income	(4)	(3)
Operating loss before working capital changes	<u>(1,703)</u>	<u>(717)</u>
Changes in working capital:		
(Increase)/ decrease in inventories	(526)	9
Increase in receivables	(595)	(30)
Increase in payables	254	187
Net cash used in operating activities	<u>(2,570)</u>	<u>(551)</u>
<b>Cash flows from investing activities</b>		
Additions in property, plant and equipment	(251)	(20)
Net cash inflow from newly acquired subsidiaries	4	-
Proceeds from disposal of a subsidiary, net	59	-
Additions in intangible assets	(104)	-
Net cash used in investing activities	<u>(292)</u>	<u>(20)</u>
<b>Cash flows from financing activities</b>		
Proceeds from rights issue, net of costs	6,837	-
Interest paid	(10)	-
Interest received	4	3
Net cash generated from financing activities	<u>6,831</u>	<u>3</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,969</b>	<b>(568)</b>
Cash and cash equivalents at beginning of the period	2,556	2,324
Effects of exchange rate changes on cash and cash equivalents	87	11
<b>Cash and cash equivalents at end of the period</b>	<b><u>6,612</u></b>	<b><u>1,767</u></b>

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								
	Share capital	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compensation reserve	Accumulated losses	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Group</u>									
Balance at 1 April 2010	1,804	4,666	(221)	(6)	-	194	(5,144)	-	1,293
Loss for the period	-	-	-	-	-	-	(1,428)	(347)	(1,775)
Other comprehensive income/(loss)									
- currency translation differences	-	-	-	72	-	-	-	15	87
- Reserve released on disposal of a subsidiary	-	-	-	(13)	-	-	-	-	(13)
Total comprehensive income/(loss) for the period	-	-	-	59	-	-	(1,428)	(332)	(1,701)
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	-	-	(3)	(3)
Issue of ordinary shares under rights issue and acquisition of subsidiaries, net of transaction cost	7,017	1,427	-	-	-	-	-	-	8,444
Balance at 30 September 2010	8,821	6,093	(221)	53	-	194	(6,572)	(335)	8,033

	Attributable to equity holders of the Company								
	Share capital	Share premium	Merger reserve	Exchange reserve	Contributed surplus	Share-based compensation reserve	Accumulated losses	Non-Controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>									
Balance at 1 April 2009	1,504	3,439	(221)	(23)	1,957	194	(5,302)	-	1,548
Loss for the period	-	-	-	-	-	-	(734)	-	(734)
Other comprehensive loss									
- currency translation differences	-	-	-	11	-	-	-	-	11
Total comprehensive income/(loss) for the period	-	-	-	11	-	-	(734)	-	(723)
Transfer (note)	-	-	-	-	(1,957)	-	1,957	-	-
Balance at 30 September 2009	1,504	3,439	(221)	(12)	-	194	(4,079)	-	825
<b>Company</b>									
Balance at 1 April 2010	1,804	4,666	-	-	-	194	(5,371)	-	1,293
Total comprehensive loss for the period									
-loss for the period	-	-	-	-	-	-	(1,074)	-	(1,074)
Issue of ordinary shares under rights issue and acquisition of subsidiaries, net of transaction cost	7,017	1,427	-	-	-	-	-	-	8,444
Balance at 30 September 2010	8,821	6,093	-	-	-	194	(6,445)	-	8,663
Balance at 1 April 2009	1,504	3,439	-	-	1,957	194	(5,736)	-	1,358
Total comprehensive loss for the period									
-loss for the period	-	-	-	-	-	-	(533)	-	(533)
Transfer (note)	-	-	-	-	(1,957)	-	1,957	-	-
Balance at 30 September 2009	1,504	3,439	-	-	-	194	(4,312)	-	825

Note : 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.

On 25 May 2010, the Company acquired 1,077 ordinary shares of RRM, representing 55% shareholding, by issuing 36,666,667 new ordinary shares of the Company.

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).

On 30 September 2010, the Company issued 13,732,174 new ordinary shares of the Company 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.

There were no shares held as treasury shares as at 30 September 2010 (2009: Nil).

- 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 30 September 2010 was 882,121,423.

- 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 and the accounting policies 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 and amended IFRSs are mandatory for the year ending 31 March 2011 which are relevant to the Group's operations:

IFRS 3 (Revised)	Business Combination
IAS 27 (Revised)	Consolidated and separate financial statements

IFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on 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.

IAS/HKAS 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. The adoption of this revised standard has no material impact on the Group's financial information.

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.

	<b>6 months ended 30-Sep-10</b>	(Restated) 6 months ended 30-Sep-09
(i) Basic loss per share	<b>US (0.24) cents</b>	US (0.34) cents
(ii) Diluted loss per share	<b>US (0.24) cents</b>	US (0.34) cents

The basic loss per share attributable to equity holders of the Company is calculated by, taking into account the effects of rights issue, dividing the loss for the period by the weighted average number of ordinary shares in issue during the period of 593,706,390 (2009 : 214,890,543) 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 period ended 30 September 2010 and 30 September 2009. The loss per share on a fully diluted basis is calculated on the weighted average number of ordinary shares of 593,706,390 (2009: 214,890,543) of US\$0.01 each in issue during the period.

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.

	<u>Group</u>		<u>Company</u>	
	<u>30-Sep-10</u> US cents	31-Mar-10 US cents	<u>30-Sep-10</u> US cents	31-Mar-10 US cents
Net asset value per ordinary share based on issued share capital	<b>0.911</b>	0.7165	<b>0.982</b>	0.7165

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

### 30 September 2010 (“1HFY2010/11”) vs 30 September 2009 (1HFY2009/2010”)

The Group’s turnover increased by 76%, from US\$0.96 million to US\$1.69 million. The increase was contributed mainly by the Group’s newly acquired Fashion Retail division, acquisition of which was completed on 25 May 2010. The Fashion Retail division contributed a first-time revenue of US\$0.7 million.

Turnover from the Game Development & Operation division and Games Services division was kept at a similar level of around US\$0.9 million for both periods.

The Group’s gross profit increased by 79% from US\$0.5 million to US\$0.9 million attributable mainly to the newly acquired Fashion Retail division.

Administrative and other operating expenses have increased due to the following :

- Approximately US\$1 million was incurred by the newly acquired Fashion Retail division in late May 2010;
- Approximately US\$0.3 million was incurred by the Game Operation division for marketing of new games launched in 1H FY2010/11,

As a result of the increase in administrative and other operating expenses, the Group recorded a net loss of US\$1.8 million for 1H FY2010/11 compared to a net loss of US\$0.7 million in 1H FY2009/10.

Net cash used in operating activities in 1H FY2010/11 was US\$2.6 million. Cash used in investing activities for purchase of office equipment and intangible assets was approximately US\$0.4 million. In June 2010, the Company successfully completed the Rights Issue and total net proceeds of around US\$ 6.8 million were raised.

The Group's cash and cash equivalents increased from US\$2.6 million as at 31 March 2010 to US\$6.6 million as at 30 September 2010.

## BUSINESS SEGMENT OVERVIEW

### FASHION RETAIL

This division engages in the design and marketing of lifestyle consumer products mainly for the China's market. The Group will continue to focus its investments and resources in this business division.

### GAME DEVELOPMENT AND OPERATION

This division engages in the development and operation of online games.

During FY2010/11, the Group maintained on its Game operation business in Malaysia, Singapore and the Philippines, as well as North America.

### GAME SERVICES

This division operates point card distribution for online games in Malaysia.

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. The other divisions, Games Development & Operation and Game Services, are expected to maintain at their current business levels.

11. Dividend
- (a) Current Financial Period Reported On  
None
  - (b) Corresponding Period of the Immediately Preceding Financial Year  
None
  - (c) Date Payable  
Not applicable
  - (d) Books Closure Date  
Not applicable

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

No dividend has been declared for the six months ended 30 September 2010.

13. Negative assurance confirmation by Board of Directors

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six months ended 30 September 2010 to be false or misleading in any material aspect.

For and on behalf of the  
Board of Directors of  
THE STYLE MERCHANTS LIMITED

(signed)

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Michael Ng Lai Yick  
Executive Chairman

(signed)

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Daniel Wong Chu Kee  
Deputy Chairman

11/11/2010