

**CIRCULAR DATED 4 MARCH 2011**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your shares in the capital of The Style Merchants Limited (the “**Company**”), you should immediately forward this Circular and the Notice of Special General Meeting to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or transferee.

**The Company was placed on the watch-list of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 3 June 2009. Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual of the SGX-ST (the “Listing Manual”) by 3 June 2011, the SGX-ST may either remove the Company from its Official List, or suspend trading of the shares of the Company with a view to removing the Company from its Official List. Please refer to Section 5.3 of this Circular for further details on Rule 1314 of the Listing Manual. In the event that the SGX-ST exercises its power to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and shareholders of the Company may lose some or all of their investment in the Company.**

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



## **CIRCULAR TO SHAREHOLDERS**

in relation to

**THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF NETELUSION (HONG KONG) LIMITED**

### **IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	: 26 March 2011 at 10:30 a.m.
Date and time of Special General Meeting	: 28 March 2011 at 10:30 a.m.
Place of Special General Meeting	: NTUC Centre, 1 Marina Boulevard, Room 701, Level 7, Singapore 018989

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## DEFINITIONS

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In this Circular, the following definitions apply throughout unless otherwise stated:

- “Account Balance”** : The balance due from the NL Group Companies to the Company as at the Completion Date, determined based on the Management Accounts.
- “Aggregate Consideration”** : The consideration payable for all the Sale Shares as more particularly defined in **Section 2.2.1** of this Circular.
- “Announcement Date”** : 14 January 2011, being the date of announcement of the Disposal pursuant to the signing of the Sale and Purchase Agreement.
- “Audit Committee”** : The audit committee of the Company comprising Daniel Wong Chu Kee, John Lim Yew Kong and Pang Seng Tuong.
- “Balance Payment”** : An amount in cash equal to the sum of the Account Balance after deducting the Net Deficit Value.
- “Bermuda Companies Act”** : Companies Act 1981 of Bermuda.
- “Business Day”** : A day (other than a Saturday, Sunday or gazetted public holiday) in Hong Kong and Singapore.
- “BVI”** : British Virgin Islands.
- “CDP”** : The Central Depository (Pte) Limited.
- “China”** : The People’s Republic of China.
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore.
- “Company”** : The Style Merchants Limited.
- “Completion”** : Completion of the Disposal.
- “Completion Date”** : Shall have the meaning given to it in **Section 2.3** of this Circular.
- “Conditions Precedent”** : Shall have the meaning given to it in **Section 2.3** of this Circular.
- “Directors”** : The directors of the Company for the time being.
- “Disposal”** : The proposed disposal by the Company of the Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement.
- “Encumbrance”** : 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 any NL Group Company.
- “EPS”** : Earnings per Share.
- “Fashion Retail Business”** : Shall have the meaning given to it in **Section 5.1** of this Circular.
- “FY”** : Financial year ended or ending 31 March unless otherwise stated. Where **“FY”** is stated immediately before reference to a calendar year, it shall mean the financial year ended or ending 31 March of that calendar year.

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## DEFINITIONS

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- “**Gaming Business**” : Shall have the meaning given to it in **Section 4.2** of this Circular.
- “**Group**” : The Company and its subsidiaries.
- “**Latest Practicable Date**” : The latest practicable date prior to the printing of this Circular, being 25 February 2011.
- “**Listing Manual**” : The listing manual of the SGX-ST.
- “**Management Accounts**” : The unaudited management accounts relating to each NL Group Company and to the NL Group, drawn up to the Completion Date.
- “**Net Deficit Value**” : The excess of the total liabilities over the total assets of the NL Group Companies as at Completion Date, determined based on the Management Accounts.
- “**Net Proceeds**” : Shall have the meaning given to it in **Section 7.1** of this Circular.
- “**NL**” : NeteLusion (Hong Kong) Limited.
- “**NL Group**” : The NL Group Companies, taken as a whole.
- “**NL Group Companies**” : NL and the NL Subsidiaries.
- “**NL Shares**” : Issued ordinary shares in the capital of NL.
- “**NL Subsidiaries**” : Deswick Technology Limited, Eaglegame International Limited, Eaglegame (M) Sdn. Bhd., Eaglegame (Singapore) Pte Ltd, Games Services Limited, Media Kingdom Limited, Netelusion Fortune Holdings Limited, NeteLusion Games (Hong Kong) Limited, Netelusion Games (M) Sdn. Bhd., NeteLusion Games Holdings Limited, NeteLusion International Limited, 互友财富(北京)因特网技术有限公司, 厦門盘古软件开发有限公司, 厦門中乐讯软件科技有限公司 and 北京互友电子商务有限责任公司.
- “**NTA**” : Net tangible assets.
- “**Purchase Price**” : The price for each Sale Share as more particularly defined in **Section 2.2.1** of this Circular.
- “**Purchaser**” : Marvel Day Enterprises Limited.
- “**Purchaser’s Shareholders**” : Shall have the meaning given to it in **Section 3.3** of this Circular.
- “**Right Issue**” : The proposed non-renounceable non-underwritten rights issue of up to 651,300,000 new ordinary shares of par value US\$1.00 each on the capital of the Company at an issue price of S\$0.015.
- “**Rights Issue Circular**” : Circular to Shareholders dated 28 April 2010 in relation to (i) the proposed acquisition of 1,077 ordinary shares of par value US\$1.00 each in the capital of RRM, (ii) the proposed convertible loan of S\$2,000,000.00 to RRM, (iii) the Rights Issue, and (iv) the proposed change of name of the Company from “NeteLusion Limited” to “The Style Merchants Limited”.
- “**RRM**” : Retail Resources Management Limited.

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## DEFINITIONS

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“ <b>Sale and Purchase Agreement</b> ”	: The conditional sale and purchase agreement dated 13 January 2011 made between the Company and the Purchaser in relation to the Disposal.
“ <b>Sale Shares</b> ”	: 3,000,000 NL Shares to be sold by the Company to the Purchaser pursuant to the Sale and Purchase Agreement.
“ <b>SGM</b> ”	: The special general meeting of the Company, notice of which is given on pages 23 to 24 of this Circular.
“ <b>SGX-ST</b> ”	: Singapore Exchange Securities Trading Limited.
“ <b>Shareholders</b> ”	: Registered holders of Shares, except that where the registered holder is CDP, the term “ <b>Shareholders</b> ” shall, where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register.
“ <b>Shares</b> ”	: Issued ordinary shares in the capital of the Company.
“ <b>Undertaking</b> ”	: Shall have the meaning given to it in <b>Section 9.3.1</b> of this Circular.
“ <b>HK\$</b> ” and “ <b>HK cents</b> ”	: Hong Kong dollars and cents, respectively.
“ <b>S\$</b> ” and “ <b>cents</b> ”	: Singapore dollars and cents, respectively.
“ <b>US\$</b> ” and “ <b>US cents</b> ”	: United States dollars and cents, respectively.
“ <b>%</b> ” or “ <b>per cent.</b> ”	: Per centum or percentage.

**Associate.** The term “**associate**” shall have the meaning ascribed to it in the Listing Manual.

**Controlling Shareholder.** The term “**controlling shareholder**” shall have the meaning ascribed to it in the Listing Manual.

**Depositor, etc.** The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

**Subsidiary.** The term “**subsidiary**” shall have the meaning ascribed to it in Section 86 of the Bermuda Companies Act.

**Substantial Shareholder.** The term “**substantial shareholder**” shall have the meaning ascribed to it in the Section 81 of the Companies Act.

**Genders.** Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

**Statutes.** Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Bermuda Companies Act, the Companies Act or the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Bermuda Companies Act, the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be.

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## DEFINITIONS

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**Time and Date.** Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

**Rounding.** Any discrepancies in the figures included in this Circular between the listed amounts and the totals thereof and/or the respective percentages are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

**Forward-Looking Statements.** All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

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## LETTER TO SHAREHOLDERS

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### THE STYLE MERCHANTS LIMITED

(Company Registration No.: 27671)  
(Incorporated in Bermuda on 24 January 2000)

#### Board of Directors:

Ng Lai Yick (*Executive Chairman*)  
Samuel Lin Jr. (*Executive Director*)  
Daniel Wong Chu Kee (*Non-Executive Independent Director*)  
John Lim Yew Kong (*Non-Executive Independent Director*)  
Pang Seng Tuong (*Non-Executive Independent Director*)  
Flora Zeta Pavlova Cheong-leen (*Non-Executive Director*)

#### Registered Office:

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

#### Business Office:

Unit 2602-6, 26/F  
Prosperity Millennia Plaza  
663 King's Road  
North Point, Hong Kong

4 March 2011

To: The Shareholders of The Style Merchants Limited

Dear Sir/Madam

#### THE PROPOSED DISPOSAL BY THE COMPANY OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF NETELUSION (HONG KONG) LIMITED

##### 1. INTRODUCTION

- 1.1 Disposal.** On the Announcement Date, the Company announced that the Company had entered into the Sale and Purchase Agreement relating to the sale by the Company, and purchase by the Purchaser, of the Sale Shares, representing all of the NL Shares as at the Latest Practicable Date. Completion is subject to all the Conditions Precedent being satisfied.

A copy of the Company's announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

- 1.2 SGM.** The Directors are convening the SGM to seek Shareholders' approval for the Disposal.
- 1.3 Circular.** The purpose of this Circular is to provide Shareholders with information relating to the Disposal.

##### 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 Encumbrance.

##### 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**").

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## LETTER TO SHAREHOLDERS

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**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, the strategic merits of the Disposal and the justifications for the Aggregate Consideration, as set out in more detail in **Section 5** of this Circular.

**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 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 at a general meeting 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 on terms satisfactory to the Company and such approvals remaining in full force and effect,

(collectively, the "**Conditions Precedent**", and each, a "**Condition Precedent**").

Upon satisfaction of the Conditions Precedent, Completion is expected to occur on the date falling three Business Days 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) (the "**Completion Date**").

**2.4 Long Stop Date.** The current long stop date for the satisfaction of all 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, the Purchaser and each of the Purchaser's Shareholders has, prior to Completion, issued a confirmation to the SGX-ST (with a copy to the Company) confirming that neither it nor any of its associates is, directly or indirectly, related to any of the following:

**2.5.1** RRM;

**2.5.2** Universal Chinese Limited;

**2.5.3** Head Team Limited;

**2.5.4** Best Coach Limited;



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## LETTER TO SHAREHOLDERS

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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 substantial 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 the Balance Payment, which shall be payable:

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 Company 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.

**3.2 Directors of the Purchaser.** As at the Latest Practicable Date, the directors of the Purchaser were (i) Mr Chan Tze Ngon, and (ii) Mr Lau Hung Lun Alan.

**3.2 Shareholders of the Purchaser.** As at the Latest Practicable Date, the shareholders of the Purchaser (the "**Purchaser's Shareholders**"), and their respective shareholdings are set out below:

Shareholders	No. of shares in the Purchaser	Percentage Shareholding (%)
Mr Chan Tze Ngon	50	50
Mr Lau Hung Lun Alan	50	50
<b>Total</b>	<b>100</b>	<b>100</b>

**3.4 Others.** No agent has been appointed by the Company in respect of the Disposal. The Purchaser was introduced to the Company by Mr Ng Lai Yick, a director of the Company. No commission will be payable in relation to the Disposal.

In addition to the confirmation issued by the Purchaser and the Purchaser's Shareholders as set out in **Section 2.5** above, as at the date of the Sale and Purchase Agreement, save for Mr Lau Hung Lun Alan who held 8,000,000 Shares in the Company, representing approximately 0.91 per cent. of all the Shares, none of the Purchaser or the Purchaser's Shareholders had any interest, direct or indirect, in the Shares.

The 8,000,000 Shares in the Company were purchased by Lau Hung Lun Alan in June 2010.

## LETTER TO SHAREHOLDERS

### 4. INFORMATION ON NL

**4.1 NL.** NL is a company incorporated in Hong Kong and has, at the Latest Practicable Date, 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 NL.

As at the Latest Practicable Date, the directors of NL were (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 NL Subsidiaries.** The principal activities of the NL Subsidiaries and NL’s shareholding interests in such NL Subsidiaries are as follows:

Name of NL Subsidiary	Principal Activities	Percentage Interest of NL (%)
Deswick Technology Limited (Hong Kong)	Operation of games	100
Media Kingdom Limited (British Virgin Islands)	Investment holding	100
NeteLusion Fortune Holdings Limited (British Virgin Islands)	Investment holding	100
NeteLusion Games (M) Sdn. Bhd. (Malaysia)	Distribution of online game cards	80.0
NeteLusion Games Holdings Limited (British Virgin Islands)	Investment holding	80.0
NeteLusion International Limited (British Virgin Islands)	Investment holding	100
<b>Held by Media Kingdom Limited</b>		
廈門中乐讯软件科技有限公司 (China)	Inactive	100
<b>Held by NeteLusion Fortune Holdings Limited</b>		
Games Services Limited (British Virgin Islands)	Operation of games	100
互友财富(北京)因特网技术有限公司 (China)	Operation of games	100
<b>Held by NeteLusion International Limited</b>		
Eaglegame (M) Sdn. Bhd. (Malaysia)	Operation of games	80.0
Eaglegame (Singapore) Pte Ltd (Singapore)	Operation of games	100
Eaglegame International Limited (British Virgin Islands)	Operation of games	100

## LETTER TO SHAREHOLDERS

Name of NL Subsidiary	Principal Activities	Percentage Interest of NL (%)
<b>Held by NeteLusion Games Holdings Limited</b>		
NeteLusion Games (Hong Kong) Limited (Hong Kong)	Inactive	80.0
厦門盘古软件开发有限公司 (China)	Inactive	80.0
<b>Others</b>		
北京互友电子商务有限责任公司 <sup>(1)</sup> (China)	Inactive	100

**Notes:**

(1) Pursuant to a contractual arrangement entered into with the legal owners of 北京互友电子商务有限责任公司, 100 per cent. of the beneficial interest in this company is held by 互友财富(北京)因特网技术有限公司, such that the operating and financing activities of this company is ultimately controlled by 互友财富(北京)因特网技术有限公司.

**4.4 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.

**4.5 Financial Statements.** The management accounts of the NL Group for the six-month period ended 30 September 2010 are set out in **Appendix 1** to this Circular. As set out in **Section 5.5.3** below, prior to the completion of the acquisition of RRM on 25 May 2010, the relevant accounts for the NL Group would be that of the audited consolidated financial statements of the Group.

## 5. RATIONALE FOR THE DISPOSAL

**5.1 Contributions of the Business Sectors.** For the six-month period ended 30 September 2010, the Group's turnover had increased by 76 per cent. from US\$959,000.00 to US\$1,687,000.00. Such turnover comprised US\$948,000.00 (56.2 per cent. of the Group's total revenue) contributed by the Gaming Business for the six-month period and US\$739,000.00 (43.8 per cent. of the Group's total revenue) contributed by its fashion retail business (the "**Fashion Retail Business**") for the four months since the completion of the acquisition of RRM on 25 May 2010. The Group's gross profit had also increased by 79 per cent. from US\$486,000.00 to US\$870,000.00. These increases were attributable to the Fashion Retail Business. Although approximately US\$1,000,000.00 comprising of administrative and operating expenses was incurred by the Fashion Retail Business, the Directors believe that these are start-up and merger costs, which would subsequently decrease. In comparison, the Gaming Business has been a loss-segment of the Group for the past three years.

**5.2 Deviation from Initial Plans.** As set out in the Rights Issue Circular, in relation to the acquisition of RRM, it was initially intended for the Company to continue operating its existing Gaming Business in the usual manner, alongside the Fashion Retail Business. However, as set out in **Section 5.1** above, it is clear that the Fashion Retail Business has been expanding and contributing to the Company more significantly than the Gaming Business since the completion of the acquisition of RRM on 25 May 2010.

The gaming division of the Group has been loss-making and, substantial funds will be needed to turn the business around by licensing new games and conducting marketing activities. In the Rights Issue Circular, the Directors stated that the funds from the Rights Issue will be allocated principally to the Fashion Retail Business, and therefore, only limited resources can be utilised for the Gaming Business. Without the required funding for new games and/or marketing activities, it is unlikely that the gaming division of the Group will become profitable. When the Company received an unsolicited offer from the Purchaser to acquire NL Group, it presented an opportunity for the Company to exit the highly-competitive gaming industry, allowing the Company to conserve its limited resources for the development of the Fashion Retail Business.

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## LETTER TO SHAREHOLDERS

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The Directors are of the view that it is in the best interest of the Company to allocate more resources and focus on the Fashion Retail Business which is expected to enhance shareholder value in the future.

**5.3 Watch-list of the SGX-ST.** On 3 June 2009, the Company was placed on the watch-list of the SGX-ST. Pursuant to Rule 1314 of the Listing Manual, the Company may apply for its removal from the watch-list if it records consolidated pre-tax profit for the most recently completed financial year and has an average daily market capitalisation of S\$40 million or more over the last 120 market days on which trading was not suspended or halted, or if the Company satisfies the quantitative criteria in Rules 210(2)(a) or 210(2)(b) of the Listing Manual for listing of equity securities on the Main Board of the SGX-ST.

Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual by 3 June 2011, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Shares with a view to removing the Company from its Official List. In the event that the SGX-ST exercises its power to remove the Company from its Official List at such time, any exit alternative offered by the Company may or may not be reasonable and Shareholders may lose some or all of their investment in the Company.

The Directors believe that the Disposal will facilitate the removal of the Company from the watch-list of the SGX-ST as:

**5.3.1** the Disposal can reduce the total losses of the Group since the Gaming Business is not expected to be turned around in a short period of time; and

**5.3.2** after the Disposal, all resources can be focused on the Fashion Retail Business to generate profits for the Group.

**5.4 Long-term Strategy of the Company.** The Company does not currently have sufficient resources to carry on both the Gaming Business as well as the Fashion Retail Business in a profitable manner. Please refer to the Rights Issue Circular and the announcements as listed below for further details on the Fashion Retail Business:

<b>Announcement Date</b>	<b>Nature of Announcement</b>
<b>Under the name of NeteLusion Limited</b>	
2 March 2010	Proposed acquisition of RRM
3 March 2010	Clarification announcement
9 April 2010	In-principle approval from SGX-ST for the Rights Issue and issue of consideration shares for the acquisition of RRM
28 April 2010	Notice of Special General Meeting
20 May 2010	Resolutions passed at Special General Meeting
25 May 2010	Completion of the acquisition of RRM
<b>Under the name of The Style Merchants Limited</b>	
6 September 2010	Proposed acquisition of Celebrity Next Limited
17 September 2010	Clarification for the announcement made on 6 September 2010
27 September 2010	In-principle approval from SGX-ST for the issue of consideration shares for the acquisition of Celebrity Next Limited
30 September 2010	Completion of the acquisition of Celebrity Next Limited

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## LETTER TO SHAREHOLDERS

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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.

The corporate structure of the Company before and after the Disposal is set out in **Appendix 2** to this Circular.

**5.5 Justification for the Aggregate Consideration.** The Directors believe that the Aggregate Consideration is a reasonable price for the Gaming Business on account of the following justifications:

**5.5.1** the industry of the Gaming Business is becoming increasingly competitive and the Company will continue to face tremendous challenges in this industry going forward. The Company will require substantially more working capital and research and development to achieve profitability. The net working capital required by the NL Group since FY 2007 are set out below:

Financial Period	Net Working Capital required by the NL Group
FY2007	US\$566,000.00
FY2008	US\$2,207,000.00
FY2009	US\$2,884,000.00
FY2010	US\$1,323,000.00
Six-month period ended 30 September 2010	US\$1,088,000.00

**5.5.2** the Disposal would enable the Group to exit the highly competitive Gaming Business and focus its efforts on the development of the Fashion Retail Business. The Board believes that this would better serve the interest of the Company and the Shareholders in the longer term;

**5.5.3** the NL Group has been incurring losses since FY2007. Prior to the acquisition of RRM which was completed on 25 May 2010, the losses of the NL Group are basically equivalent to the losses of the Group, which is a net loss of US\$7,128,000 for FY2007, US\$1,704,000 for FY2008, US\$5,519,000 for FY2009 and US\$1,799,000 for FY2010. For the six-month period ended 30 September 2010, the NL Group had a net loss of approximately US\$904,000.00, and a net deficit value of US\$2,287,000.00 as at 30 September 2010; and

**5.5.4** the amount owing (covering the net deficit value) by the NL Group to the Company as at 31 December 2010 was US\$4,921,000.00<sup>1</sup>. The Net Deficit Value of the NL Group is estimated to be around US\$3,500,000.00 by Completion. In accordance with the terms of the Sale and Purchase Agreement, NL Group shall repay all amount owing to the Company after netting off the Net Deficit Value of NL Group. The Company expects to write off the Net Deficit Value of US\$3,500,000.00, resulting in (i) the NL Group being a zero value asset, and (ii) the Balance Payment mentioned in **Section 2.6** payable to be approximately US\$1,400,000.00.

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<sup>1</sup> The financial statements in Appendix 1 reflect that the amount owing by the NL Group to the Company as at 30 September was US\$6,325,000. However there was repayment of an amount of US\$1,404,000 from the NL Group to the Company during the 3 month period ended 31 December 2010. The net deficit value of NL Group as at 30 September was US\$2,287,000. The additional deficit values of around US\$1,213,000 were due to further losses estimated to be incurred by the NL Group before Completion.

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## LETTER TO SHAREHOLDERS

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The basis and considerations taken into account by the Company for the write-off of US\$3,500,000.00 are as follows:

- (i) the Gaming Business has been loss making since 2007. The Company is of the view that large amounts of investments and efforts would be required to turn the Gaming Business around. It was therefore difficult to establish goodwill for the Gaming Business with the Purchaser; and
- (ii) in view of the above, it was commercially agreed between the Company and the Purchaser that the Company would waive the amounts owing by the NL Group (which is estimated to amount to approximately US\$3,500,000 at Completion) and that the NL Group would then be transferred to the Purchaser at zero net asset value at Completion.

Following the write-off of US\$3,500,000, the Aggregate Consideration of US\$250,000.00 represents the profit to be received by the Company for the Disposal and the detailed breakdown is as follows:

	US\$
Consideration received from disposal of NL Group	250,000
Less: Net asset / (liability) of NL Group at Completion	(3,500,000)
Less: Waiver of current account balance by the Company	3,500,000
Profit received	<u>250,000</u>

### 6. FINANCIAL EFFECTS

**6.1 Assumptions.** The proforma financial effects of the Disposal on (i) the consolidated NTA per Share, and (ii) the consolidated 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 Circular 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 Circular have been prepared based on the latest audited consolidated financial statements of the Company for FY2010.

**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 <sup>(1)</sup> (US\$ million)	8.70	9.14
NTA per share <sup>(2)</sup> (US cents)	0.99	1.04

**Notes:**

- (1) The NTA figures are calculated based on the assumption that the rights issue of 651,300,000 Shares and the acquisition of the Fashion Retail Business had been completed on 31 March 2010.
- (2) Based on 882,121,423 Shares in issue as at 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.

## LETTER TO SHAREHOLDERS

**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 <sup>(1)</sup> (US\$ million)	(3.06)	(1.94)
EPS <sup>(2)</sup> (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 completed on 1 April 2009.
- (2) Based on the weighted average number of 856,806,355 Shares in issue for the year ended 31 March 2010, with the adjustment for the rights issue of 651,300,000 Shares and the total number of 50,398,841 Shares as consideration for the acquisition of the Fashion Retail Business.

### 7. PROCEEDS FROM THE DISPOSAL

**7.1 Net Sale Proceeds.** As set out in **Section 5.5.4** above, the Aggregate Consideration of US\$250,000.00 represents the profit to be received by the Company for the Disposal. 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 zero net asset value of NL Group, after writing off the non-recoverable amount of approximately US\$3,500,000.00 due from NL described in **Section 5.5.4**, is approximately US\$230,000.00. Accordingly, the gain on the Disposal is approximately US\$230,000.00.

**7.2 Use of Proceeds.** The Net Proceeds will be used as working capital for the Company.

The Company will make periodic announcements on the use of the Net Proceeds from the Disposal as and when there are material disbursements of such Net Proceeds and provide a status report on the use of the Net Proceeds in the annual report(s) of the Company.

### 8. MAJOR TRANSACTION

**8.1 Relative Figures.** The relative figures for the Disposal computed on the relevant bases set out in Rule 1006 of the Listing Manual are set out below:

Rule 1006	Bases	The Disposal (US\$'000)	Group <sup>2</sup> (US\$'000)	Relative Figures (%)
(a)	Net asset <sup>3</sup> 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 <sup>4</sup> attributable to the Sale Shares, compared with the Group's net profits	(904)	(1,775)	-50.9
(c)	Aggregate Consideration to be received, compared with the Company's market capitalisation <sup>5</sup>	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.

<sup>2</sup> Pursuant to the Listing Manual, the term “**Group**” means the Company and its subsidiaries (as defined in Section 5 of the Companies Act) (and the guarantor company, if any).

<sup>3</sup> Pursuant to Rule 1002(3)(a) of the Listing Manual, the term “**net assets**” means total assets less total liabilities.

<sup>4</sup> 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 six-month period ended 30 September 2010.

<sup>5</sup> Pursuant to Rule 1002(5) of the Listing Manual, the “**market capitalisation of the Company**” is determined by multiplying 882,121,423 Shares 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.



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## LETTER TO SHAREHOLDERS

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**8.2 Shareholders' Approval.** As the figures computed pursuant to Rules 1006(a) and 1006(b) of the Listing Manual exceed 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 Shareholders for the Disposal in a general meeting prior to Completion.

Further, as there has been a deviation from the initial plans for the Company set out in the Rights Issue Circular as highlighted in **Section 5.2** above, the Company is also required to obtain the approval of 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 Circular below.

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

Directors	Direct Interest		Deemed Interest <sup>(1)</sup>		Total Interest	
	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Ng Lai Yick	–	–	80,569,438	9.13	80,569,438	9.13
Samuel Lin Jr.	1,760,000	0.20	65,796,800	7.46	67,556,800	7.66
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) Deemed interests refer to interests determined pursuant to Section 7 of the Companies Act.

(2) Based on 882,121,423 Shares 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.



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## LETTER TO SHAREHOLDERS

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### 9.3 Undertaking by Major Shareholders.

**9.3.1 Major Shareholders:** As required by the SGX-ST, each of the following major shareholders of the Company has, prior to Completion, issued a statement to the SGX-ST (with a copy to the Company) undertaking that it will not, for a period of one year from the completion of the acquisition of RRM on 25 May 2010, sell out its shareholding in the Company resulting in an effective change in control (the “**Undertaking**”):

- (i) Ng Lai Yick;
- (ii) Glorious Mountain Limited;
- (iii) Samuel Lin Jr.; and
- (iv) Universal Chinese Limited.

### 10. RECOMMENDATION OF DIRECTORS

Each of the Directors have considered the rationale and terms of the Disposal, and are of the opinion that the Disposal is in the best interests of the Shareholders. Accordingly, they unanimously recommend that the Shareholders vote in favour of the ordinary resolution relating to the Disposal at the SGM.

### 11. RECOMMENDATION OF THE AUDIT COMMITTEE

The Audit Committee has reviewed the rationale and terms of the Disposal and is of the view that the Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

Accordingly, the Audit Committee recommends that the Shareholders vote in favour of the ordinary resolution relating to the Disposal at the SGM.

The Audit Committee further recommends that any individual Shareholder who may require specific advice to consult his stockbroker, bank manager, solicitor, accountant or other professional adviser.

### 12. SPECIAL GENERAL MEETING

The SGM, notice of which is set out on pages 23 to 24 of this Circular, will be held on 28 March 2011 at NTUC Centre, 1 Marina Boulevard, Room 701, Level 7, Singapore 018989 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution set out in the Notice of SGM.

### 13. ACTION TO BE TAKEN BY SHAREHOLDERS

**13.1 Appointment of Proxies.** Shareholders who are unable to attend the SGM and wish to appoint a proxy to attend and vote at the SGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive 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 not less than 48 hours before the time fixed for the SGM. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the SGM if he finds that he is able to do so.

**13.2 When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the SGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the SGM.

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## LETTER TO SHAREHOLDERS

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### 14. DOCUMENTS FOR INSPECTION

The following documents may be inspected 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 from the date of this Circular up to the date of the SGM:

- (i) the Annual Report of the Company for FY2010;
- (ii) the latest announced unaudited unconsolidated financial statements of the Group for the six-month period ended 30 September 2010;
- (iii) the audited consolidated financial statements of the Group for FY2010, FY2009, FY2008 and FY2007; and
- (iv) the Rights Issue Circular.

In addition, a copy of the Sale and Purchase Agreement is available for inspection at the office of the Company's Share Transfer Agent in Singapore during normal business hours for a period of three months from 14 January 2011, being the Announcement Date.

### 15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Disposal, and the Directors are not aware of any facts the omission of which would make any statements in this Circular misleading.

Where information has been extracted from published or otherwise publicly available sources, the Directors have ensured that such information has been accurately and correctly extracted from these sources.

BY ORDER OF THE BOARD

Ng Lai Yick  
Executive Chairman  
4 March 2011

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## APPENDIX 1

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### ADDITIONAL INFORMATION

**NeteLusion (Hong Kong) Limited and the NL Subsidiaries**  
**Consolidated profit and loss**  
**For the period ended 30 September 2010**

	<b>US\$'000</b>
Turnover	967
Cost of sales	(522)
Gross profit	445
Finance income	4
Other income	4
	453
Direct costs	(52)
Administrative expenses	(669)
Other operating expenses	(636)
	(1,357)
Operating loss before taxation	(904)

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## APPENDIX 1

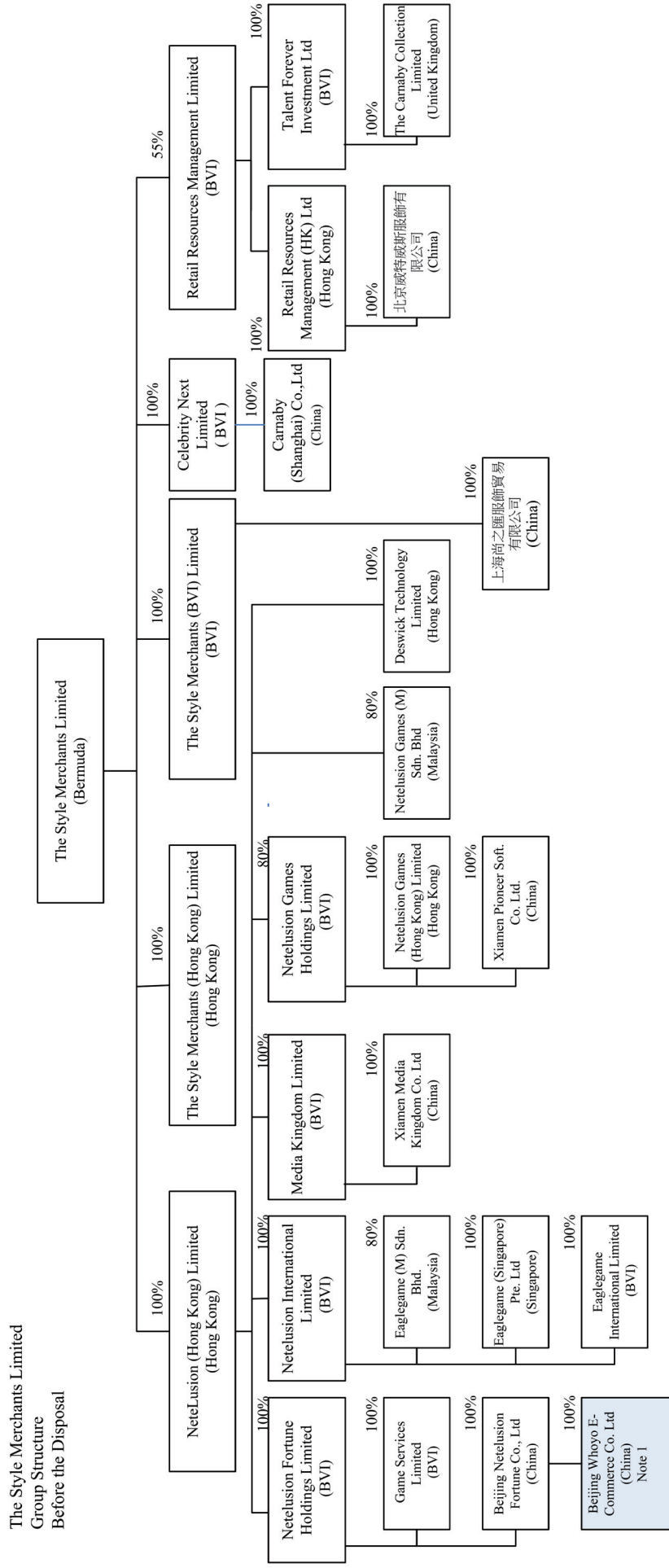
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### CONSOLIDATED BALANCE SHEET OF THE NL GROUP AS AT 30 SEPTEMBER 2010

	Total US\$'000
Intangible assets	98
Tangible assets	62
Current Assets	
Inventories	19
Trade receivables	39
Other receivables and prepayment	273
Cash at bank and on hand	5,340
	<hr/> 5,671 <hr/>
Current Liabilities	
Trade payable	70
Other payable and accruals	1,723
Due to The Style Merchants Limited	6,325
	<hr/> 8,118 <hr/>
Net current assets	<hr/> (2,447) <hr/>
	<hr/> (2,287) <hr/>
Equity	
Share capital	385
Reserves	(2,603)
	<hr/> (2,218) <hr/>
Minority interest	(69)
	<hr/> (2,287) <hr/>

## APPENDIX 2

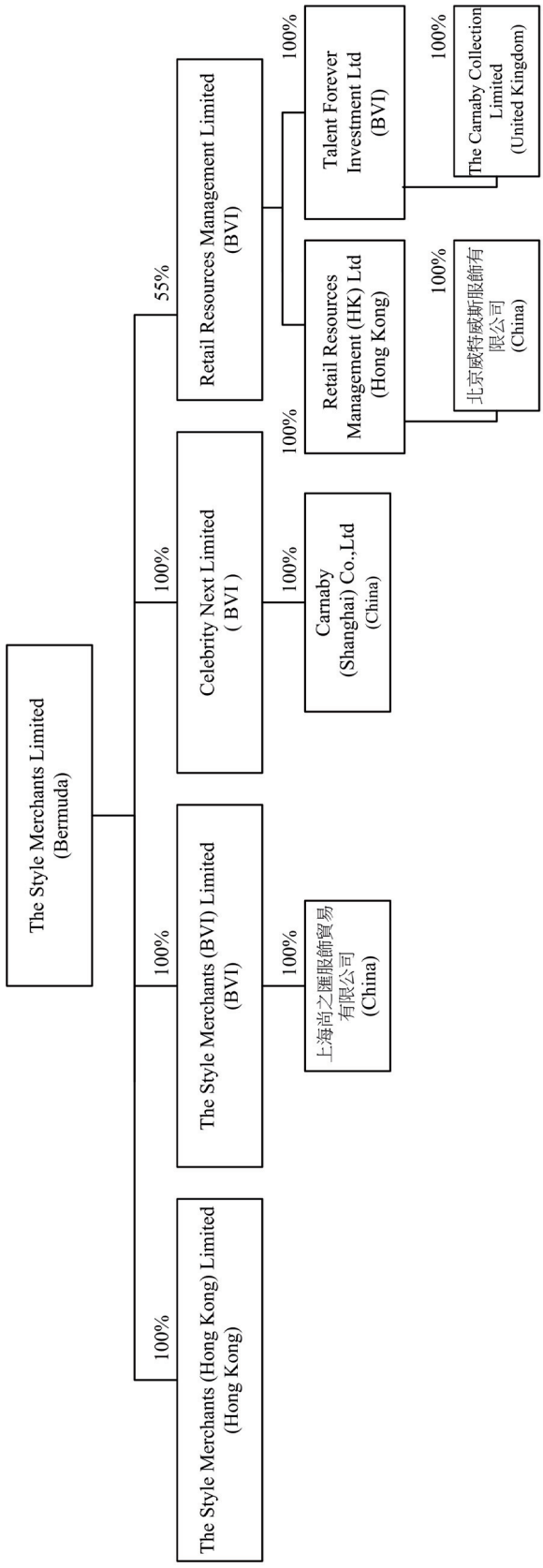
### CORPORATE STRUCTURE



Note 1 : Inactive and held via contractual arrangement.

**APPENDIX 2**

The Style Merchants Limited  
Group Structure  
After the Disposal



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## NOTICE OF SPECIAL GENERAL MEETING

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### THE STYLE MERCHANTS LIMITED

(Company Registration No.: 27671)  
(Incorporated in Bermuda on 24 January 2000)

## NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting (the “**SGM**”) of The Style Merchants Limited (the “**Company**”) will be held at NTUC Centre, 1 Marina Boulevard, Room 701, Level 7, Singapore 018989 on 28 March 2011 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following Resolution, which will be proposed as an Ordinary Resolution:

#### “**Ordinary Resolution: The Disposal**”

That:

- (i) approval be and is hereby given for the Disposal; and
- (ii) the Directors of the Company be and are hereby authorised to approve and execute all documents, instruments, deeds and forms (including modifying the Sale and Purchase Agreement and executing all other documents as may be required under or pursuant to the Sale and Purchase Agreement), to complete and do all acts and things in relation to, or in connection with, the Disposal, as they may consider necessary, desirable or expedient to give effect to this Resolution, and to delegate their authority to such member or members of their body as they may deem fit.

The following terms shall have the respective meanings ascribed to them in this Ordinary Resolution:

“**Circular**” means the Company’s Circular to shareholders of the Company dated 4 March 2011;

“**Disposal**” means the proposed disposal by the Company of 3,000,000 NL Shares to the Purchaser for an aggregate cash consideration of US\$250,000.00, on the terms and conditions set out in the Sale and Purchase Agreement;

“**NL**” means NeteLusion (Hong Kong) Limited;

“**NL Shares**” means issued ordinary shares in the capital of NL;

“**Purchaser**” means Marvel Day Enterprises Limited; and

“**Sale and Purchase Agreement**” means the conditional sale and purchase agreement dated 13 January 2011 made between the Company and the Purchaser relating to the Disposal, as more particularly defined in the Circular.”

BY ORDER OF THE BOARD

Yvonne Choo / Hazel Chia Luang Chew  
Company Secretaries

4 March 2011  
Singapore

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**NOTES:**

1. A shareholder of the Company is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
2. If a shareholder of the Company wishes to appoint a proxy/proxies to attend the SGM, then he/she must complete and deposit the shareholder proxy form at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least 48 hours before the time of the SGM.
3. If the shareholder of the Company is a corporation, then the shareholder proxy form must be executed under seal or the hand of its duly authorised officer or attorney and must be deposited at the office of the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least 48 hours before the time of the SGM.