



豪特保健控股有限公司
OTO Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6880



GLOBAL
OFFERING

Sole Global Coordinator, Sole Sponsor, Sole Bookrunner and Sole Lead Manager



IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.



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GLOBAL OFFERING

Number of Offer Shares	: 80,000,000 Shares
Number of Hong Kong Offer Shares	: 8,000,000 Shares (subject to adjustment)
Number of International Placing Shares	: 72,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.60 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal value	: US\$0.01 per share
Stock code	: 6880

Sole Global Coordinator, Sole Sponsor, Sole Bookrunner and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around 6 December 2011 and, in any event, not later than 8 December 2011. The Offer Price will be not more than HK\$1.60 per Offer Share and is currently expected to be not less than HK\$1.28 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.60 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$1.60.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.28 to HK\$1.60 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at www.otobodycare.com and the Stock Exchange's website at www.hkxnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or the Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further information is set forth in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed among the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain events arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

1 December 2011

EXPECTED TIMETABLE⁽¹⁾

- Latest time for lodging **PINK** application form4:00 p.m. on Monday, 5 December 2011
- Latest time to complete electronic applications under
HK eIPO WHITE Form service through the designated
website www.hkeipo.hk⁽³⁾11:30 a.m. on Tuesday, 6 December 2011
- Application lists open⁽²⁾11:45 a.m. on Tuesday, 6 December 2011
- Latest time for lodging **WHITE** and **YELLOW**
Application Forms12:00 noon on Tuesday, 6 December 2011
- Latest time to complete payment of **HK eIPO WHITE Form**
applications by effecting internet banking transfers or
PPS payment transfers12:00 noon on Tuesday, 6 December 2011
- Latest time to give **electronic application**
instructions to HKSCC⁽⁴⁾12:00 noon on Tuesday, 6 December 2011
- Application lists close⁽²⁾12:00 noon on Tuesday, 6 December 2011
- Expected Price Determination Date⁽⁵⁾Tuesday, 6 December 2011
- Announcement of (i) the Offer Price; (ii) the indication of
the level of interest in the International Placing; (iii) the
level of applications in the Hong Kong Public Offer;
(iv) the basis of allotment of Hong Kong Offer Shares
under the Hong Kong Public Offer; and (v) the number of
Offer Shares reallocated, if any, between the Hong Kong
Public Offer and the International Placing to be published
in South China Morning Post (in English) and Hong Kong
Economic Times (in Chinese) and on the Stock Exchange’s
website at www.hkexnews.hk and the Company’s website
at www.otobodycare.com on or before Monday, 12 December 2011
- Results of allocations in the Hong Kong Public Offer (with
successful applicants’ identification documents numbers,
where appropriate) to be available through a variety of
channels (see the section headed “How to Apply for the
Hong Kong Offer Shares — Results of allocations”) fromMonday, 12 December 2011
- Results of allocations in the Hong Kong Public Offer
to be available at www.tricor.com.hk/ipo/result with
“search by ID” function.Monday, 12 December 2011
- Despatch of share certificates in respect of wholly or
partially successful applications and despatch of HK eIPO
White Form e-Auto Refund payment instructions/
refund cheques in respect of wholly or partially
successful application on or before ⁽⁶⁾ ⁽⁷⁾ ⁽⁸⁾ ⁽⁹⁾ Monday, 12 December 2011
- Despatch of share certificates or deposit of share certificates
into CCASS and refund cheques in respect of wholly or
partially successful applications on or before ⁽⁶⁾ ⁽⁷⁾ ⁽⁸⁾ ⁽⁹⁾ Monday, 12 December 2011
- Dealings in Offer Shares on the Stock Exchange to
commence at 9:00 a.m. on Tuesday, 13 December 2011

EXPECTED TIMETABLE⁽¹⁾

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 December 2011, the application lists will not open or close on that day. Further information is set forth in the section headed “How to Apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists” of this prospectus.
- (3) Applicants will not be permitted to submit their application to the HK eIPO White Form Service Provider through the designated website www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted their application and obtained an application reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. Applicants who apply for Hong Kong Offer Shares by completing HK eIPO White Form should refer to the section headed “How to Apply for the Hong Kong Offer Shares — How to apply through the HK eIPO White Form service” of this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — How to apply by giving electronic application instructions to HKSCC” of this prospectus.
- (5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Tuesday, 6 December 2011 and, in any event, not later than Thursday, 8 December 2011. If, for any reason, the Offer Price is not agreed among the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum offer price of HK\$1.60 per Share, applicants must pay the maximum offer price of HK\$1.60 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus.
- (6) **Share certificates for the Offer Shares are expected to be issued on Monday, 12 December 2011 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 13 December 2011 provided that (i) the Hong Kong Public Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, the Group will make an announcement as soon as possible.**
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Bank may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (8) Applicants who have applied on **WHITE** Application Forms or HK eIPO White Form for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates in person from the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, may do so between 9:00 a.m. to 1:00 p.m. on Monday, 12 December 2011. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares

EXPECTED TIMETABLE⁽¹⁾

under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

- (9) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares — If your application for the Hong Kong Offer Shares is successful (in whole or in part)" of this prospectus.

You should read carefully the sections headed "Underwriting," "How to Apply for the Hong Kong Offer Shares" and "Structure of the Global Offering" of this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the despatch of share certificates and the refund of application monies.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Selling Shareholders, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk factors” of this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

OVERVIEW

Introduction


We are a leading developer and retailer of health and wellness products in Hong Kong under our proprietary “” brand with retail outlets in Hong Kong, the PRC, and Macau. We also sell our products to corporate customers and overseas markets. We have a large portfolio of products, which are broadly divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. The following table sets forth our revenue during the Track Record Period under each of our product categories:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$000	% of Revenue	HK\$'000 (unaudited)	% of Revenue	HK\$'000	% of Revenue
Relaxation products	118,547	82.2	258,127	89.2	162,962	77.8	75,673	89.0	64,267	64.3
Fitness products.....	13,189	9.1	12,901	4.5	37,821	18.1	5,289	6.2	15,377	15.4
Therapeutic products	9,508	6.6	13,248	4.6	5,993	2.9	2,469	2.9	18,790	18.8
Diagnostic products.....	2,985	2.1	5,007	1.7	2,626	1.2	1,632	1.9	1,468	1.5
Total.....	144,229	100.0	289,283	100.0	209,402	100.0	85,063	100.0	99,902	100.0

According to the Frost & Sullivan Report, we ranked first in the Hong Kong relaxation equipment market in terms of units sold with a market share of 65.0% and ranked second in terms of sales revenue with a market share of 28.3% in 2010. We also ranked first in the Hong Kong partial body massage equipment market in terms of both units sold and sales revenue with a market share of 72.2% and 60.7%, respectively in 2010.

Our proprietary “” brand is a well-known brand name in the health and wellness product industry. According to the Frost & Sullivan Report, we ranked first in terms of Other Unaided Brand Awareness and ranked second in terms of Top of Mind Brand Awareness of partial body massage equipments in Hong Kong. We have also received awards and recognitions from various awarding bodies in recognition of our brand name, including recognition as a “Superbrand” by Superbrands Hong Kong in 2004 and 2005, awards for “Best Health Care Products” by Capital Magazine in 2006, the “Prominent Manufacturer Award for Product Development and Industry Contribution” by Global

SUMMARY

Sources Publications Ltd. in 2006, the winner for the Beauty category of the Most Popular Television Commercial Award by Television Broadcast Limited in 2007, a finalist of the Most Popular Television Commercial Award for the Fashion and Beauty category by Television Broadcast Limited in 2011 and award for “The Best Massage Products” by Capital Magazine in 2011. We will continue to enhance our “” brand by continuing to deliver high-quality health and wellness products and strengthening our market image.

Sales and Distribution

We have diversified sales channels through, (i) traditional sales channels including (a) retail stores; and (b) consignment counters; and (ii) proactive sales channels, including (a) roadshow counters; (b) corporate sales; and (c) International Sales. The following table sets forth our revenue under each of our sales channels for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$000	% of Revenue	HK\$'000 (unaudited)	% of Revenue	HK\$'000	% of Revenue
Retail stores	66,743	46.3	129,521	44.8	90,736	43.4	38,138	44.8	41,527	41.6
Consignment counters.....	59,714	41.4	103,697	35.8	78,393	37.4	35,003	41.2	35,205	35.2
Roadshow counters.....	4,193	2.9	14,121	4.9	11,555	5.5	2,350	2.8	2,971	3.0
Corporate sales.....	8,405	5.8	33,736	11.7	16,562	7.9	6,065	7.1	9,555	9.6
International Sales.....	5,174	3.6	8,208	2.8	12,156	5.8	3,507	4.1	10,644	10.6
Total	144,229	100.0	289,283	100.0	209,402	100.0	85,063	100.0	99,902	100.0

As at the Latest Practicable Date, we had a total of 14 retail stores and 16 consignment counters in Hong Kong, one retail store and two consignment counters in Macau, and 14 consignment counters in the PRC, located in major cities, including Beijing, Shanghai, Suzhou, Dalian, Tianjin, Hangzhou, Shenzhen, Jilin and Harbin. Our retail outlets are primarily located in shopping malls and department stores. We also conduct roadshows in different department stores and shopping malls, and customers may purchase our products through our roadshow counters. During the Track Record Period, revenue from our retail outlets accounted for approximately 90.6%, 85.5%, 86.3% and 79.8% of our total revenue, respectively. We provide sales commission to our staff according to their contribution to our revenue from retail sales. Each of our frontline sales staff, sales managers, regional sales managers and Mr. Charlie Yip (one of our executive Directors) is entitled to 5%, 4% to 6.5% (according to their respective sales target achieved), 4% to 6.5% (according to their respective sales target achieved) and 0.5% to 1.5% (according to the sales target achieved) of the revenue of our products the sales staff sell, respectively. Our sales commission amounted to approximately HK\$10.9 million, HK\$21.2 million, HK\$14.4 million and HK\$6.2 million, respectively, for each of the three years ended 31 March 2011 and the five months ended 31 August 2011.

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In addition to our retail network, we also sell our products to corporate customers such as financial institutions, retail chain stores and professional bodies. During the Track Record Period, we had an aggregate of seven, 16, 53 and 51 corporate customers, respectively, under our corporate sales channel, and revenue from corporate sales during the same period accounted for approximately 5.8%, 11.7%, 7.9% and 9.6% of our total revenue, respectively.

We also export our products to international customers for their distribution in the overseas markets. During the Track Record Period, our international customers' distribution network covered countries in different regions in the world, including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary, and we had a total of six, 19, 16 and 16 international customers, respectively, for each of the three years ended 31 March 2011 and the five months ended 31 August 2011. The revenue from International Sales during the Track Record Period accounted for approximately 3.6%, 2.8%, 5.8% and 10.6% of our total revenue, respectively.

Product Design and Development

Our innovative product design and development capabilities is one of our core competitive strengths. We conduct regular research on the latest market trends, and our in-house product design and development team will conceptualise and develop designs for new products and make modifications on existing products. We may also work together with external manufacturers on the designs of our products. On average, we introduce ten to 15 new health and wellness products including three to four new key products each year. We believe that by leveraging on our deep knowledge of market trends and customers' needs and our long established relationships with our manufacturers, we have been able to transform product concepts into commercially viable and popular products in an efficient and effective manner. We believe that our capabilities in market research, product design and development, and product procurement complement our brand building and the marketing of our products.

During each of the three years ended 31 March 2009, 2010, and 2011 and the five months ended 31 August 2011, we introduced 13, 12, ten and four new products, respectively. We encountered a six-month delay in the launch of a new key fitness product, OTO Cruncher, which was supposed to be launched in March 2010 for the summer season, as a result of additional time needed in meeting stringent quality and safety standards in preparation for the introduction of this new fitness product for local sales and International Sales. To avoid cannibalization of two new key products launching at around the same time, the planned new key relaxation product launch of OTO Power Repose (a back massager), which was supposed to be launched in July 2010, was postponed to December 2010. Such delays in the launch of new products are not an industry norm and we only encountered the delays in the launch of OTO Cruncher and OTO Power Repose during the Track Record Period.

Product Procurement

We source all four categories of our products mainly from manufacturers in China, Korea, Taiwan and Japan. Further details are set forth in the section headed "Business — Product Procurement" in this prospectus. We believe that this outsourcing strategy allows us to focus our resources on the key stages of the product life cycle, including product design and development, brand

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promotion and management, and sales and marketing. This strategy has also enabled us to focus on quality control and to avoid direct exposure to operational and financial risks and expenses of operating production facilities and managing labour, and allows us to maximise the returns on our assets.

We engaged various external manufacturers for the entire production process and they are responsible for procurement of the relevant raw materials. We have more than five years of relationship with seven, six, seven and eight of our external manufacturers, respectively, for each of the three years ended 31 March 2011 and the five months ended 31 August 2011. We believe we have good working relationships with our external manufacturers. We carefully select our external manufacturers which meet and satisfy our evaluation and assessment criteria and evaluate their overall track record, financial strength, manufacturing experience, reputation, ability to produce high-quality products and quality control effectiveness. We also conduct evaluations on our existing external manufacturers every six months in general to identify and remove unqualified external manufacturers from our approved list of manufacturers.

Under our product manufacturer agreements, no proprietary rights in any of the intellectual property rights belonging to us are granted to the manufacturer, and the manufacturer shall ensure that the products fully conform with product specification spelt out by us and is responsible for the quality of the products manufactured, and shall provide us with full replacement of any sub-standard products in general no later than 14 days of receipt of the notice of defect. The manufacturer is also responsible for ensuring that all materials and/or components used in the manufacturing of the products are in compliance with the international standards, as well as any additional standards we may impose to the manufacturer. Our product manufacturer agreements also provide that the manufacturer shall warrant that no material, components or anything that it inputs into the products will infringe any third party rights whatsoever and will fully indemnify us against any losses, costs, damages or claims resulting therefrom. Our Directors confirm that no external manufacturers had indemnified any losses, costs or claims regarding infringement on third party rights against our Group during the Track Record Period. In addition, we generally require our external manufacturers to keep confidential any of our commercial secret known or used (including, in particular, the design, specification and costs of production of our products) unless with written consent during our cooperation period. Our Directors confirm that no such written consent was given to external manufacturers during the Track Record Period. Our external manufacturers shall be liable for all our financial losses if such external manufacturers disclose our commercial secret to any other third party under any circumstances without our prior consent.

Expansion in Sales Network

Leveraging on our established brand name and our design and development capabilities, we seek to further expand our sales network to cover additional geographical areas, and in particular, the market in the PRC. Our Group has a relatively short operating history in the PRC market compared to that of Hong Kong, and we intend to use approximately 56.0% or HK\$45.9 million (assuming an Offer Price of HK\$1.44, being the midpoint of the indicative Offer Price range) of the total estimated net proceeds of the Global Offering for the expansion of our retail network in the PRC market by

SUMMARY

opening new retail stores and consignment counters in certain major cities of the PRC, expanding our sales and marketing teams, and building our logistic facilities and enhancing logistic services to cover Shanghai, Beijing, Northern China, Central China, and Southern China, the major regions of our target markets in the PRC.

The following table sets forth the number of retail stores and consignment counters regarding the expansion plan of the Group in the PRC:


	For the year ending 31 March		
	2012	2013	2014
No. of new consignment counters	18	30	40
No. of new retail stores	—	15	10
Target cities/regions	Shanghai, Beijing	Beijing, Shanghai, Southern China and other regions	Southern China and other regions

Based on our expansion plan, a majority of our retail outlets in the PRC will be consignment counters. According to the PRC Legal Advisers, we are not required to apply for change of business scope of OTO Shanghai's business licence to include "retail" nor to obtain additional operating licenses or approval for sales at consignment counters. Opening consignment counters will require shorter set up time of approximately one month and relatively lower capital expenditure of approximately HK\$150,000 per consignment counter. For the opening of retail stores in the PRC, our Group will need to apply for the change of OTO Shanghai's business scope to include "retail" and obtain the relevant operating licenses and permits. Our Group is currently in the process of applying for the relevant changes and relevant operating licenses for its retail stores. In order to complete the application and change, we are required to obtain relevant documents from the landlord of the planned retail store in Shanghai, which is currently pending. Based on recent discussions with the landlord of the planned retail store in Shanghai and our Group's PRC Legal Advisers, our Directors do not foresee any practical difficulty in obtaining the required operating license or approval for the opening of its retail stores in the PRC by the first half of 2012 because in any event the Group may locate and lease another suitable retail location from another landlord and complete the application and change. In addition, to manage and monitor our expansion plan in the PRC, we may require management expertise which may differ from those in Hong Kong and Macau. For further details regarding risk profile of our PRC expansion, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We may not be able to execute our growth strategy in expanding our operations in China effectively" in this prospectus.

There is no assurance that our investment of the proceeds from the Global Offering in the PRC market will be successful. In the event that our expansion in the PRC does not perform as expected, our financial results may be adversely affected. For further information relating to our use of the proceeds from the Global Offering, please refer to the section headed "Future Plans and Uses of Proceeds" in this prospectus.

SUMMARY

Expansion in Product Offerings

In addition, we will further expand and diversify our product offerings, continue to enhance our “” brand value, further enhance our management information systems to support our growth and lower our costs, as well as selectively pursue strategic alliances and acquisitions opportunities. Details of our business strategies are set forth in the section headed “Business — Business strategies” in this prospectus.

OUR COMPETITIVE STRENGTHS

- We are one of the market leaders of health and wellness products in Hong Kong and well-positioned to benefit from the health and wellness product market in China
- We possess a well-known brand name
- Our full and comprehensive product offerings enable us to cater to different customer needs
- Our innovative product design and development capabilities enable us to lead market trends and transform product concepts into commercially viable products
- Our sales network and diversified sales channels enable us to serve a broad customer base and meet growing and different customer demand
- Our experienced management and staff have strong execution capabilities and a proven track record of generating growth for us

OUR BUSINESS STRATEGIES

- We target to further expand our sales network to cover additional geographic areas, in particular, the market in China
- We will further expand and diversify our product offerings
- We will continue to enhance our “” brand value
- We will further enhance our management information systems to support our growth and lower our costs
- We will selectively pursue strategic alliances and acquisition opportunities

SUMMARY

KEY OPERATING DATA

Fluctuations on revenue during the Track Record Period

Our revenue for the five months ended 31 August 2011 was HK\$99.9 million, an increase of HK\$14.8 million or approximately 17.4%, from HK\$85.1 million for the five months ended 31 August 2010. The increase was primarily attributable to a number of factors including (1) changes in revenue contribution from sales channels including increase in international and corporate sales; and (2) launch of new products and changes in our product mix. This was partially offset by a decrease in revenue from our existing products for the five months ended 31 August 2011. Our revenue for the year ended 31 March 2011 was HK\$209.4 million, a decrease of HK\$79.9 million or approximately 27.6%, from HK\$289.3 million for the year ended 31 March 2010. The decrease was primarily attributable to a number of factors including (1) the delayed launch of two new key products and changes in our product mix; and (2) changes in an existing corporate customer's promotion schedule resulted in the delay of a joint promotion plan, which was partially offset by revenue contribution from joint promotion plans with two new corporate customers. Our revenue for the year ended 31 March 2010 was HK\$289.3 million, an increase of HK\$145.1 million or approximately 100.6%, from HK\$144.2 million for the year ended 31 March 2009. The increase was primarily attributable to a number of factors including (1) successful launch of two new key relaxation products; and (2) successful joint promotion campaigns with a corporate customer, which was partially offset by a decrease in revenue from an old key relaxation product. Please refer to the section headed "Financial Information" in this prospectus for further information on our financial performance.

SUMMARY

Revenue contribution from new products

The table below sets forth our revenue and gross profit margin by our new products for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue
	(unaudited)									
Relaxation										
New products	74,898	51.9	189,325	65.4	10,142	4.8	9,372	11.0	16,243	16.2
Existing products.....	43,649	30.3	68,802	23.8	152,820	73.0	66,301	78.0	48,024	48.1
Total relaxation products....	118,547	82.2	258,127	89.2	162,962	77.8	75,673	89.0	64,267	64.3
Fitness										
New products	11,377	7.9	2,223	0.8	26,321	12.6	37	0.0	—	0.0
Existing products.....	1,812	1.2	10,678	3.7	11,500	5.5	5,252	6.2	15,377	15.4
Total fitness products.....	13,189	9.1	12,901	4.5	37,821	18.1	5,289	6.2	15,377	15.4
Therapeutic										
New products	2,838	2.0	—	0.0	2,456	1.2	—	0.0	18,265	18.3
Existing products.....	6,670	4.6	13,248	4.6	3,537	1.7	2,469	2.9	525	0.5
Total therapeutic products..	9,508	6.6	13,248	4.6	5,993	2.9	2,469	2.9	18,790	18.8
Diagnostic										
New products	1,211	0.9	950	0.3	—	0.0	—	0.0	—	0.0
Existing products.....	1,774	1.2	4,057	1.4	2,626	1.2	1,632	1.9	1,468	1.5
Total diagnostic products....	2,985	2.1	5,007	1.7	2,626	1.2	1,632	1.9	1,468	1.5
Total revenue from new products	90,324	62.6	192,498	66.5	38,919	18.6	9,409	11.1	34,508	34.5
Total revenue.....	144,229		289,283		209,402		85,063		99,902	

SUMMARY

Same-store sales

The same-store sales for our retail outlets increased by 79.3% from the year ended 31 March 2009 to the year ended 31 March 2010 primarily due to the significant increase in sales contributed from our two new key relaxation products, namely OTO Power Tap and OTO e-Lux. Our same-store sales decreased by 34.5% from the year ended 31 March 2010 to the year ended 31 March 2011 primarily due to the decrease in revenue as a result of the delayed product launches. For the five months ended 31 August 2011, same-store sales increased by 2.2% from those of the five months ended 31 August 2010 primarily due to reshuffling of retail outlets (i.e. opening of three retail outlets and closing of two retail outlets).

The following table sets forth our same-store sales and same-store sales growth for the periods indicated:

	For the year ended 31 March			For the five months ended 31 August	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Same-store sales	124,664	223,566	146,334	70,210	71,788
Same-store sales growth		79.3%	(34.5)%		2.2%

Geographic regions of our retail outlets

The following table sets forth the number of our retail stores and consignment counters per geographical area for the periods indicated:

	As at 31 March			As at
	2009	2010	2011	31 August
				2011
Hong Kong				
Retail stores	15	15	15	15
Consignment counters	14	15	16	16
Macau				
Retail stores	1	1	1	1
Consignment counters	1	2	2	2
China ⁽¹⁾				
Consignment counters	—	—	—	10
Total	31	33	34	44

(1) We have extended our sales network to China since 29 June 2011 by acquiring the entire registered capital of OTO Shanghai.

SUMMARY

Revenue breakdown by geographic regions

The following table sets forth our revenue by geographical area for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	Revenue HK\$'000	% of Revenue	Revenue HK\$'000	% of Revenue	Revenue HK\$'000	% of Revenue	Revenue HK\$'000	% of Revenue	Revenue HK\$'000	% of Revenue
	(unaudited)									
Hong Kong.....	122,989	85.3	260,478	90.0	183,845	87.8	74,197	87.2	87,112	87.2
Macau	21,240	14.7	28,805	10.0	25,557	12.2	10,866	12.8	10,369	10.4
China	—	0.0	—	0.0	—	0.0	—	0.0	2,421	2.4
Total.....	<u>144,229</u>	<u>100.0</u>	<u>289,283</u>	<u>100.0</u>	<u>209,402</u>	<u>100.0</u>	<u>85,063</u>	<u>100.0</u>	<u>99,902</u>	<u>100.0</u>

- (1) We have extended our sales network to China since 29 June 2011 by acquiring the entire registered capital of OTO Shanghai.

Retail price range per product category

The following table sets forth our retail price range by product category for the periods indicated:

	For the year ended 31 March			For the five months ended 31 August
	2009	2010	2011	2011
Relaxation	HK\$198 to HK\$29,808	HK\$299 to HK\$24,816	HK\$399 to HK\$24,816	HK\$399 to HK\$29,800
Fitness	HK\$899 to HK\$6,890	HK\$998 to HK\$6,890	HK\$499 to HK\$6,890	HK\$499 to HK\$6,890
Therapeutic ..	HK\$880 to HK\$3,984	HK\$880 to HK\$3,984	HK\$880 to HK\$3,984	HK\$998 to HK\$3,984
Diagnostic	HK\$299 to HK\$880	HK\$399 to HK\$880	HK\$399 to HK\$980	HK\$399 to HK\$980

Analysis of our revenue, gross profit margin and sales volume

The following table is an analysis of our revenue, gross profit margin and sales volume by product category for the periods indicated:

	For the year ended 31 March									For the five months ended 31 August					
	2009			2010			2011			2010			2011		
	Gross profit Revenue HK\$'000	Sales margin (%)	Sales volume (units)	Gross profit Revenue HK\$'000	Sales margin (%)	Sales volume (units)	Gross profit Revenue HK\$000	Sales margin (%)	Sales volume (units)	Gross profit Revenue HK\$'000	Sales margin (%)	Sales volume (units)	Gross profit Revenue HK\$'000	Sales margin (%)	Sales volume (units)
	(unaudited)														
Relaxation	118,547	75.3	78,785	258,127	72.3	213,389	162,962	69.3	107,799	75,673	72.7	43,899	64,267	66.1	48,097
Fitness	13,189	56.7	8,321	12,901	53.1	12,093	37,821	76.6	21,668	5,289	67.1	3,084	15,377	66.6	12,216
Therapeutic	9,508	62.2	6,128	13,248	54.7	12,916	5,993	50.3	3,872	2,469	66.7	1,633	18,790	70.5	8,802
Diagnostic	2,985	56.3	13,741	5,007	57.7	26,872	2,626	61.2	8,885	1,632	61.1	3,909	1,468	60.0	4,086
Total.....	<u>144,229</u>	<u>72.4</u>	<u>106,975</u>	<u>289,283</u>	<u>70.4</u>	<u>265,270</u>	<u>209,402</u>	<u>70.0</u>	<u>142,224</u>	<u>85,063</u>	<u>71.9</u>	<u>52,525</u>	<u>99,902</u>	<u>66.9</u>	<u>73,201</u>

SUMMARY

The gross profit margin for relaxation products decreased by 6.6% from 72.7% for the five months ended 31 August 2010 to 66.1% for the five months ended 31 August 2011 due to increase in the International Sales of existing relaxation products which generated lower gross profit margin due to bulk purchase discounts. The gross profit margin for fitness products remained relatively stable from 67.1% for the five months ended 31 August 2010 to 66.6% for the five months ended 31 August 2011. The gross profit margin for therapeutic products increased by 3.8% from 66.7% for the five months ended 31 August 2010 to 70.5% for the five months ended 31 August 2011 due to the launch of a new key therapeutic product, OTO e-Physio, which generated a higher gross profit margin of 72.2%. The gross profit margin for diagnostic products remained relatively stable from 61.1% for the five months ended 31 August 2010 to 60.0% for the five months ended 31 August 2011.

The gross profit margin for relaxation products decreased by 3.0% from 72.3% for the year ended 31 March 2010 to 69.3% for the year ended 31 March 2011 due to the lowering of selling price of existing relaxation products. The gross profit margin for fitness products increased by 23.5% from 53.1% for the year ended 31 March 2010 to 76.6% for the year ended 31 March 2011 due to the launch of the new key fitness product, OTO Cruncher, which offered a gross profit margin of 88.3%, which is higher than those of previous fitness products. The gross profit margin for therapeutic products decreased by 4.4% from 54.7% for the year ended 31 March 2010 to 50.3% for the year ended 31 March 2011 due to International Sales during the year which generated lower gross profit margin than that of retail sales due to bulk purchase discounts. The gross profit margin for diagnostic products increased by 3.5% from 57.7% for the year ended 31 March 2010 to 61.2% for the year ended 31 March 2011 due to the decrease in corporate sales for the year ended 31 March 2011.

The gross profit margin for relaxation products decreased by 3.0% from 75.3% for the year ended 31 March 2009 to 72.3% for the year ended 31 March 2010 due to the launch of a new key relaxation product, OTO Power Tap, which had a gross profit margin of 77.5%, lower than that of a new key relaxation product, OTO e-Bliss, a neck and shoulder massager with a gross profit margin of 87.3%, launched in the year ended 31 March 2009. The gross profit margin for fitness products decreased by 3.6% from 56.7% for the year ended 31 March 2009 to 53.1% for the year ended 31 March 2010 due to International Sales that generated lower gross profit margin than those of retail sales as a result of bulk purchase discounts. The gross profit margin for therapeutic products decreased by 7.5% from 62.2% for the year ended 31 March 2009 to 54.7% for the year ended 31 March 2010 due to International Sales. The gross profit margin for diagnostic products remained relatively stable from 56.3% for the year ended 31 March 2009 to 57.7% for the year ended 31 March 2010.

Please refer to the section headed “Financial Information — Period to period comparison of results of operations” in this prospectus for further details on our financial performance.

The drivers for sales volume of our products include, among others, the brand and product awareness, the market positioning of our products, the designs, features and functionalities of our products, and retail price of similar products in the market.

SUMMARY

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after completion of the Pre-IPO Investments and the Reorganisation, some of the Controlling Shareholders remain interested in OTO Singapore and OTO Malaysia.

OTO Singapore is principally engaged in the retail sales of health and wellness products in Singapore. As at 31 August 2011, OTO Singapore had a total of 14 retail outlets in Singapore with 84 staff in total. Based on the unaudited financial statements for the year ended 31 March 2011, the total sales of OTO Singapore was approximately SG\$18.9 million.

OTO Malaysia is principally engaged in the retail sales of health and wellness products in Malaysia. As at 31 August 2011, OTO Malaysia had a total of 13 retail outlets in Malaysia with 55 staff in total. Based on the unaudited financial statement for the year ended 31 March 2011, the total sales of OTO Malaysia was approximately MYR6.8 million.

OTO Singapore and OTO Malaysia are not included in our Group. There is a clear geographical delineation in the business activities of our Group and that of OTO Singapore and OTO Malaysia. Our Group operates principally in Hong Kong, Macau and the PRC. In contrast, OTO Singapore and OTO Malaysia, which are historically under a different and independent local management team who handle and manage their daily operations, are in the retail business of selling health and wellness products to local domestic retail customers in Singapore and Malaysia.

Pursuant to the Non-Compete Undertakings described in the section headed “Relationship with Controlling Shareholders — Non-Compete Undertakings” in this prospectus, OTO Singapore and OTO Malaysia have undertaken to us to carry out their business activities only in Singapore and Malaysia.

Please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus for further information on our business delineation with OTO Singapore and OTO Malaysia.

SUMMARY

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

We set forth below the consolidated statements of comprehensive income of our Group and statements of financial position of our Group for each of the three years ended 31 March 2011 and the five months ended 31 August 2011. The financial information contained herein and in the Accountants' Report of our Group in Appendix IA to this prospectus has been prepared in accordance with HKFRS. This summary should be read in conjunction with the Accountants' Report of our Group as set out in Appendix IA to this prospectus and the discussion under the section headed "Financial Information" in this prospectus.

Consolidated Statements of Comprehensive Income

	For the year ended 31 March			For the five months ended 31 August	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	144,229	289,283	209,402	85,063	99,902
Other income	2,064	3,102	4,700	1,923	2,230
Other gains and losses	(1,242)	1,783	1,185	454	2,193
Changes in inventories of finished goods	1,014	495	1,574	421	(210)
Finished goods purchased	(38,581)	(82,124)	(59,773)	(23,020)	(31,309)
Staff costs.....	(23,334)	(40,217)	(29,186)	(11,334)	(13,230)
Depreciation and amortisation expense	(2,977)	(1,491)	(1,465)	(652)	(568)
Finance costs	(568)	(600)	(404)	(194)	(140)
Other expenses.....	<u>(64,176)</u>	<u>(88,737)</u>	<u>(81,999)</u>	<u>(31,819)</u>	<u>(43,894)</u>
Profit before tax	16,429	81,494	44,034	20,842	14,974
Income tax expense.....	<u>(1,133)</u>	<u>(12,355)</u>	<u>(6,855)</u>	<u>(3,480)</u>	<u>(3,528)</u>
Profit for the year/period	<u>15,296</u>	<u>69,139</u>	<u>37,179</u>	<u>17,362</u>	<u>11,446</u>
Other comprehensive (expense) income:					
Fair value (loss) gain on available-for-sale investments ...	(87)	100	48	(13)	(60)
Exchange difference arising on translation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40</u>
	<u>(87)</u>	<u>100</u>	<u>48</u>	<u>(13)</u>	<u>(20)</u>
Total comprehensive income for the year/period	<u>15,209</u>	<u>69,239</u>	<u>37,227</u>	<u>17,349</u>	<u>11,426</u>
Earnings per share					
Basic (HK\$).....	<u>0.07</u>	<u>0.32</u>	<u>0.17</u>	<u>0.08</u>	<u>0.05</u>

SUMMARY

STATEMENTS OF FINANCIAL POSITION

	The Group			
	At 31 March			At 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment.....	7,253	6,494	5,540	5,188
Investment properties.....	3,340	4,770	6,050	6,280
Deferred tax assets.....	1,377	1,376	889	794
Deposit placed at an insurance company ..	566	888	1,602	1,964
Utility and other deposits paid.....	5,321	6,142	7,142	7,201
Investments at fair value through profit or loss	<u>3,631</u>	<u>3,830</u>	<u>1,922</u>	<u>1,936</u>
	<u>21,488</u>	<u>23,500</u>	<u>23,145</u>	<u>23,363</u>
Current assets				
Inventories.....	4,787	5,282	6,856	7,893
Investments at fair value through profit or loss	1,090	808	2,779	654
Available-for-sale investments.....	230	330	378	318
Trade and other receivables.....	9,322	15,940	17,067	23,604
Amounts due from related parties	838	860	1,440	150
Amount due from a director.....	532	—	995	9
Tax recoverable.....	—	—	3,182	3,008
Pledged bank deposits.....	4,395	6,403	6,406	6,408
Bank balances and cash	<u>29,331</u>	<u>107,838</u>	<u>108,233</u>	<u>134,425</u>
	50,525	137,461	147,336	176,469
Assets classified as held for sale.....	<u>—</u>	<u>—</u>	<u>1,582</u>	<u>—</u>
	<u>50,525</u>	<u>137,461</u>	<u>148,918</u>	<u>176,469</u>

SUMMARY

	The Group			
	At 31 March			At 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current liabilities				
Trade and other payables	9,248	14,259	14,789	15,626
Amounts due to directors	3,176	3,151	2,827	2,827
Amounts due to related parties.....	1,201	1,542	2,490	1,391
Amounts due to shareholders	241	241	223	223
Obligations under finance leases	97	90	—	—
Dividend payables.....	6,772	20,933	10,171	9,433
Tax payable	1,062	10,059	258	1,019
Bank borrowings.....	8,109	15,591	13,118	18,761
	<u>29,906</u>	<u>65,866</u>	<u>43,876</u>	<u>49,280</u>
Net current assets	<u>20,619</u>	<u>71,595</u>	<u>105,042</u>	<u>127,189</u>
Total assets less current liabilities	<u>42,107</u>	<u>95,095</u>	<u>128,187</u>	<u>150,552</u>
Capital and reserves				
Share capital.....	1,029	1,029	1,029	7,800
Reserves	40,853	93,931	127,158	142,752
	<u>41,882</u>	<u>94,960</u>	<u>128,187</u>	<u>150,552</u>
Non-current liability				
Obligations under finance leases	225	135	—	—
	<u>42,107</u>	<u>95,095</u>	<u>128,187</u>	<u>150,552</u>

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2012

We have prepared the following profit forecast for the year ending 31 March 2012 on the bases and assumptions as set out in “Appendix III — Profit Forecast” to this prospectus. Our Directors believe that, in the absence of unforeseen circumstances and on the bases and assumptions as set out in “Appendix III — Profit Forecast” to this prospectus, our profit after taxation but before extraordinary items for the year ending 31 March 2012 is unlikely to be less than HK\$50.8 million.

For the year ending 31 March 2012

Forecast of consolidated profit attributable to

owners of the Company⁽¹⁾not less than HK\$50.8 million

Unaudited pro forma forecast basic earnings per Share⁽²⁾not less than HK\$0.16

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 March 2012 has been prepared are summarized in Appendix III to this prospectus.
- (2) The unaudited pro forma forecast basic earnings per Share is calculated in accordance with paragraph 4.29(8) of the Listing Rules on a weighted average basis by dividing the forecast consolidated profit attributable to owners of the Company for the year ending 31 March 2012 by a weighted average of 318,620,817 shares assumed to be issued and outstanding during the year ending 31 March 2012. The weighted average of 318,620,817 shares is calculated based on 218,734,920 shares issued and outstanding as at 1 April 2011, 2,065,075 shares issued in relation to the acquisition of OTO Shanghai on 13 April 2011, 19,200,000 shares issued to Pre-IPO investors on 26 April 2011 and 80,000,000 shares to be issued pursuant to the Global Offering on the assumption that the Global Offering and capitalisation issue had been completed on 1 April 2011.

DIVIDENDS AND DIVIDEND POLICY

We declared dividends of approximately HK\$0.9 million, HK\$16.2 million and HK\$4.0 million for the years ended 31 March 2009, 31 March 2010 and 31 March 2011, respectively to our then Shareholders prior to the Listing. The dividend due to the Shareholders amounted to approximately HK\$9.4 million as at 31 August 2011. Our Directors confirm that the dividend payable will be fully settled by the cash balance of our Group on 29 November 2011. No dividend was declared for the five months ended 31 August 2011. The Directors have assessed the working capital position of our Group and considered our cash resources are sufficient for the full payment of the outstanding dividend due to the Shareholders.

We currently intend to recommend at the annual general meetings of our Company that dividends of no more than 30% of our net profit for the year ended 31 March 2012 after the Listing would be available for distribution to shareholders after the Global Offering.

The declaration and payment and the amount of any future dividends will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of

SUMMARY

dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid out of our distributable profits or other sources as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.44 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.28 to HK\$1.60 per Offer Share), the net proceeds from the Global Offering, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$81.9 million. Our Directors presently intend to apply the net proceeds as follows:

- Approximately 56.0% or HK\$45.9 million, of the total estimated net proceeds will be used for the expansion of our PRC operations for the three years ending 31 March 2014.
 - (i) For the year ending 31 March 2012, we plan to invest:
 - approximately HK\$2.7 million to open 18 new consignment counters in Beijing and Shanghai;
 - approximately HK\$1.0 million for recruitment of over 50 additional sales and marketing staff;
 - approximately HK\$1.1 million for the purchase of two transportation vehicles and hiring of seven logistics and warehouse staff;
 - (ii) For the year ending 31 March 2013, we plan to invest:
 - approximately HK\$9.7 million to open 30 new consignment counters and 15 new retail stores in Beijing, Shanghai, and other major cities including Shenzhen and Guangzhou. In line with our previous practice and experience, the establishment of a medium-size retail store and a consignment counter typically costs approximately HK\$350,000 and HK\$150,000, respectively.
 - approximately HK\$7.1 million for recruitment of over 130 additional sales and marketing staff;
 - approximately HK\$3.6 million for the purchase of six transportation vehicles and hiring of 22 additional logistics and warehouse staff;

SUMMARY

(iii) For the year ending 31 March 2014, we plan to invest:

- approximately HK\$9.5 million to open 40 new consignment counters and 10 new retail stores in Shenzhen, Guangzhou, Chengdu, Chongqing, Xian, and Wuhan;
 - approximately HK\$7.9 million for recruitment of 150 additional sales and marketing staff;
 - approximately HK\$3.3 million for the purchase of two additional transportation vehicles and hiring of 30 logistics and warehouse staff.
-
- Approximately 24.4% or HK\$20.0 million of the total estimated net proceeds will be used for advertising and promotional activities in the PRC including (i) approximately HK\$10.0 million in brand promotion and enhancement activities such as engagement of product spokespersons, sponsorship, roadshows; and (ii) approximately HK\$10.0 million in media advertising such as television commercials, outdoor advertising, and advertisements in newspapers and magazines;
 - Approximately 9.8% or HK\$8.0 million of the total estimated net proceeds will be used to enhance our research and development capability, including approximately HK\$3.8 million in recruitment of four additional professional designers and other research and development staff, approximately HK\$3.0 million in procurement of tools and mould development, approximately HK\$0.9 million in engagement of domestic and international marketing and consulting firms, and approximately HK\$0.3 million for the purchase of advanced software to assist our design and development activities; and
 - Approximately 9.8% or HK\$8.0 million of the total estimated net proceeds will be used for upgrading our information systems in Hong Kong, Macau, and the PRC.

In the event the Offer Price is set at the low end of the proposed Offer Price range, being HK\$1.28 per Offer Share, the net proceeds from the Global Offering will decrease to approximately HK\$69.6 million. The amount of net proceeds proposed to be used for advertising and promotional activities in the PRC will be reduced accordingly.

In the event the Offer Price is set above the low end but below the mid-point of the proposed Offer Price range, the amount of net proceeds proposed to be used for advertising and promotional activities in the PRC will be reduced accordingly.

In the event the Offer Price is set above the mid-point but below the high end of the proposed Offer Price range, we intend to apply the additional net proceeds to renovate and redecorate our existing retail outlets in Hong Kong and Macau.

In the event the Offer Price is set at the high end of the proposed Offer Price range, being HK\$1.60 per Offer Share, the net proceeds from the Global Offering will increase to approximately HK\$94.1 million. We intend to apply the additional net proceeds to renovate and redecorate our existing retail outlets in Hong Kong and Macau.

SUMMARY

If the Over-allotment Option is exercised in full, we estimate that the net proceeds of the Global Offering to the Selling Shareholders to be approximately HK\$16.5 million (assuming the mid-point of the proposed Offer Price range), after deducting the underwriting fees payable by the Selling Shareholders in relation to the Global Offering. The Selling Shareholders will be responsible for the underwriting fees for the Sale Shares, and the expenses incurred in relation to the Global Offering will be borne by us. We will not receive any proceeds from the sale of Sale Shares by the Selling Shareholders from the exercise of the Over-allotment Option.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interests. We will also disclose the same in the relevant annual report(s).

In utilizing the proceeds from the Global Offering into the PRC, as an offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiary, OTO Shanghai, only through shareholder loans or capital contributions, which are subject to satisfaction of applicable government registration and approval requirements in the PRC. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. Further details on this risk factor are set forth in the section headed “Risk Factors — Risks relating to the PRC — Changes in PRC foreign exchange regulations may adversely affect our business operations” in this prospectus.

STATISTICS FOR THE GLOBAL OFFERING

	<u>Based on Offer Price of HK\$1.28 per Share</u>	<u>Based on Offer Price of HK\$1.60 per Share</u>
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$409.6 million	HK\$512.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share (<i>Note 2</i>).....	HK\$0.72	HK\$0.80

Notes:

- (1) The calculation of market capitalisation is based on 320,000,000 Shares expected to be in issue following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the Issuing Mandate or the Repurchase Mandate.
- (2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the paragraphs under “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 320,000,000 Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue but takes no account of any Shares which may be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the Issuing Mandate or the Repurchase Mandate.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“AQSIQ”	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE application form(s), YELLOW application form(s), PINK application form(s) and GREEN application form(s) or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 25 November 2011, a summary of certain provisions of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BOCOM International Asia” or “Sole Sponsor”	BOCOM International (Asia) Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“BOCOM International Securities” or “Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager”	BOCOM International Securities Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
“BSEL”	Brilliant Summit Enterprise Limited, a company incorporated under the laws of BVI on 7 January 2011 with limited liability, which is one of our Controlling Shareholders and is wholly owned by the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in the paragraph headed “Further information about our Company and our Subsidiaries — Resolutions in writing of all Shareholders passed on 25 November 2011” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“chief executive”	the chief executive (as defined in the SFO) of the Company
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	OTO Holdings Limited (豪特保健控股有限公司), a company incorporated in the Cayman Islands with limited liability on 20 January 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the case of the Company, means BSEL, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun, individually and as a group of persons
“Deed of Indemnity”	the deed of indemnity dated 25 November 2011 and entered into between the Controlling Shareholders and the Company, details of which are set forth in the paragraphs under “Statutory and General Information — Estate duty, tax and other indemnity” in Appendix VI to this prospectus

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Eligible Employee(s)”	full-time employees of our Group in Hong Kong, excluding the Directors of our Company or our subsidiaries, the existing beneficial owners of the shares of our Company or our subsidiaries and their respective associates, and any other connected persons of our Company
“Frost & Sullivan Report”	a market research report dated 15 November 2011 prepared by Frost & Sullivan, an independent marketing and consulting agency
“GB Standards”	Guobiao Standards issued by the SAC
“GDP”	gross domestic product
“GEM”	The Growth Enterprise Market of the Stock Exchange
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Green application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries, or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the business operated by such subsidiaries
“HK\$” or “HKD” or “HK dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited
“HK eIPO White Form”	the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by the Company as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Offer Shares”	the 8,000,000 new Shares initially offered for subscription under the Hong Kong Public Offer, representing approximately 10% of the initial number of the Offer Shares, subject to adjustment as described in the section headed “Structure of the Global Offering” of this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” of this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 30 November 2011 entered into between, the Company, the Controlling Shareholders and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Honsin Enterprises”	Honsin Enterprises, a partnership formed by Mr. CS Yip and Mr. GK Yep under the laws of Hong Kong
“ICH Advisors”	ICH Advisors Inc., a party to the ICH Pre-IPO Investment Agreement
“ICH Pre-IPO Investment Agreement”	the investment agreement dated as of 2 January 2011 entered into among ICH Advisors, the Company and the Controlling Shareholders (excluding BSEL), pursuant to which the Company agreed to allot and issue to ICH Advisors (or to its order) and ICH Advisors agreed to subscribe for such number of Shares representing 8% of the enlarged issued and paid-up share capital of the Company immediately after completion of the ICH Pre-IPO Investment Agreement, a summary of its terms is set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investments” in this prospectus
“IMF World Economic Outlook”	a publication of the International Monetary Fund
“Independent Third Party”	an individual or a company who is not connected with (within the meaning of the Listing Rules) any director, chief executives or substantial shareholders of our Company, its subsidiaries or any of their respective associates

DEFINITIONS

“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional and private investors as set out under the section headed “Structure of the Global Offering” of this prospectus
“International Placing Shares”	the 72,000,000 Shares being initially offered for subscription by our Company under the International Placing (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) together with (unless the context otherwise requires) up to an additional 12,000,000 Sale Shares which may be offered for sale pursuant to any exercise of the Over-allotment Option
“International Sales”	sales which took place or take place in jurisdictions outside of Hong Kong and Macau on or before 29 June 2011 and in jurisdictions outside of Hong Kong, Macau, China, Singapore and Malaysia after 29 June 2011
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing and expected to be entered into by, among others, the Company and the International Placing Underwriters on or about the Price Determination Date, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Issuing Mandate”	the general unconditional mandate granted to the Directors by our Shareholders relating to the issue of new Shares, particulars of which are set forth in the paragraph headed “Further information about our Company and our subsidiaries — Resolutions in writing of all Shareholders passed on 25 November 2011” in Appendix VI to this prospectus
“Japanese Yen”	Japanese Yen, lawful currency of Japan
“Latest Practicable Date”	25 November 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to the printing of this prospectus
“Licensed Representative”	an individual who is granted a licence under section 120 or 121 of the SFO
“Listing”	the listing of the Shares on the Main Board

DEFINITIONS

“Listing Committee”	the sub-committee of the board of directors of the Stock Exchange responsible for listing
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on 13 December 2011
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau” or “Macao”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM
“Ministry of Commerce” or “MOFCOM”	the Ministry of Commerce of the PRC
“Malaysia Ringgit” or “MYR”	Malaysia Ringgit, lawful currency of Malaysia
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Charlie Yip”	Yip Chee Lai, Charlie (葉志禮), an executive Director and a Controlling Shareholder
“Mr. CS Yip”	Yip Chee Seng (葉洽成), an executive Director and a Controlling Shareholder
“Mr. David Yip”	Yip Chee Way, David (葉志偉), an executive Director and a Controlling Shareholder
“Mr. GK Yep”	Yep Gee Kuarn (葉自強), a non-executive Director and a Controlling Shareholder
“New Approach Directives of the European Union”	the new approach directives which set out the level of safety for the necessary protection of people and goods, the technical standards in which are developed in a European consensus scheme available to manufacturers
“New Shares”	the new Shares being offered by our Company at the Offer Price under the Global Offering
“New key product”	our new product which we concentrate our marketing efforts on
“New product”	our product which is in the first year of its product lifecycle

DEFINITIONS

“ODM”	acronym for original design manufacturer, a business that designs and manufactures a product which is specified and eventually branded for sale by others
“OEM”	acronym for original equipment manufacturer, a business that manufactures goods or equipment for branding and resale by others
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Sale Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Other Unaided Brand Awareness”	awareness of all the other brands mentioned after mentioning of the first brand when being asked of partial body massage equipment in the Frost & Sullivan Report, details of which are set forth in the section headed “Industry overview — Health and wellness equipment market in Hong Kong and China — Partial body massage equipment market in Hong Kong” in this prospectus
“OTO BVI”	OTO (BVI) Investment Limited, a company incorporated under the laws of BVI on 7 January 2011 with limited liability and a direct wholly owned subsidiary of the Company
“OTO HK”	OTO Bodycare (H.K.) Limited, a company incorporated under the laws of Hong Kong on 14 November 1986 with limited liability and an indirect wholly owned subsidiary of the Company
“OTO (HK) Investment”	OTO (HK) Investment Limited, a company incorporated under the laws of Hong Kong on 17 February 2011 with limited liability and an indirect wholly owned subsidiary of the Company
“OTO Macau”	OTO International (Macau) Company Limited, a company incorporated in Macau on 13 September 2005 with limited liability and an indirect wholly owned subsidiary of the Company
“OTO Malaysia”	OTO Bodycare Sdn. Bhd., a company incorporated in Malaysia and which is owned by (among other persons) Mr. CS Yip and Mr. GK Yep (and in which ICH Advisors has agreed to acquire equity interest), and which is not a subsidiary of the Company

DEFINITIONS

“OTO Shanghai”	Dainty (Shanghai) Co., Ltd. (騰多商貿(上海)有限公司), a wholly foreign owned enterprise incorporated under the laws of the PRC on 25 March 2010 and an indirect wholly owned subsidiary of our Company
“OTO Singapore”	OTO Bodycare Pte. Ltd. (formerly known as IPS Brother Enterprises Pte. Ltd.), a company incorporated in Singapore on 18 July 1983 and which is owned by (among other persons) the Controlling Shareholders (except Mr. Charlie Yip and BSEL) (and in which ICH Advisors has agreed to acquire equity interest), but not a subsidiary of the Company
“Over-allotment Option”	the option to be granted by the Selling Shareholders to the Sole Global Coordinator under the International Underwriting Agreement, exercisable by the Sole Global Coordinator, on behalf of the International Underwriters, pursuant to which the Selling Shareholders may be required to sell up to a total of 12,000,000 Sale Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to cover over-allocations in the International Placing (if any) as further described in the section headed “Structure of the Global Offering” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers to our Company as to the laws of the PRC
“Pre-IPO Investments”	the transactions as contemplated by the respective agreements for investment in the Company and made by the relevant Pre-IPO Investors with (among other persons) the Company and/or the Controlling Shareholders
“Pre-IPO Investors”	collectively, ICH Advisors (and its client-investors nominated by ICH Advisors, namely, ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng) and TJ Pharm SG
“Price Determination Agreement”	the agreement expected to be entered into between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about 6 December 2011 (or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than 8 December 2011
“R&D”	research and development
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out in the section headed “History, reorganisation and corporate structure” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares granted to our Directors by our Shareholders, particulars of which are set forth in the paragraph headed “Further information about the Company — Resolutions in writing of all Shareholders passed on 25 November 2011” in Appendix VI to this prospectus
“retail outlets”	our retail outlets, including retail stores, consignment counters and/or roadshow counters
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAC”	the Standardization Administration of China
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAIC”	the State Administration for Industry and Commerce of the PRC or, where the context so requires, its local delegated authority
“Sale Shares”	additional Shares which may be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option
“Same-store sales”	sales from the same set of retail outlets with full-year operations during both the comparing year and preceding year
“Selling Shareholders”	being BSEL, ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng (who may sell up to 7,502,000 Sale Shares, 2,532,000 Sale Shares, 1,124,000 Sale Shares and 842,000 Sale Shares, respectively, upon the exercise of the Over-allotment Option), whose names and particulars are set out in the section headed “Brief details of the Selling Shareholders” in Appendix VI to this prospectus

DEFINITIONS

“SG\$” or “SGD”	Singapore dollar, the lawful currency of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 25 November 2011, a summary of the principal terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus
“Singapore”	The Republic of Singapore
“sq. m.”	square metre(s)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Sole Global Coordinator and BSEL pursuant to which the Sole Global Coordinator may borrow up to 12,000,000 Shares from BSEL for the purpose of covering over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Participant(s)”	a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO who, in accordance with the rules of the Stock Exchange, may trade on or through the Stock Exchange and whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange, and “Stock Exchange Participantship” shall be construed accordingly
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means BSEL, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun, individually and as a group of persons

DEFINITIONS

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
“TJ Pharm PRC”	Tianjin Pharmaceutical Holdings Ltd. (“天津市醫藥集團有限公司”), a state-owned enterprise of the PRC, being the sole shareholder of TJ Pharm SG
“TJ Pharm SG”	Tianjin Pharmaceutical (Singapore) International Investment Pte. Ltd., a company incorporated in Singapore and which is one of the Pre-IPO Investors and a wholly-owned subsidiary of TJ Pharm PRC
“TJP Pre-IPO Investment Agreement”	the share sale agreement dated 28 February 2011 and entered into between BSEL, TJ Pharm SG, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun pursuant to which BSEL agreed to sell and TJ Pharm SG agreed to purchase such number of Shares representing 5.35% of the issued and paid-up share capital of our Company at completion of the TJP Pre-IPO Investment Agreement, a summary of its terms is set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investments” in this prospectus
“Top of Mind Brand Awareness”	awareness of brands mentioned first when being asked of partial body massage equipment in the Frost & Sullivan Report, details of which are set forth in the section headed “Industry overview — Health and wellness equipment market in Hong Kong and China — Partial body massage equipment market in Hong Kong” in this prospectus
“Track Record Period”	the period comprising the three financial years ended 31 March 2011 and the five months ended 31 August 2011
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America
“US\$” and “US cents”	United States dollars and cents, respectively, the lawful currency of the United States of America
“Yip Brothers”	collectively, Mr. CS Yip, Mr. Charlie Yip, Mr. David Yip and Mr. GK Yep
“%”	per cent.

DEFINITIONS

Unless otherwise specified, all references to any shareholding in our Company assume no exercise of the Over-allotment Option.

Certain amounts and percentage figures included in this prospectus are approximate figures and/or may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language are for identification purpose only.

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

In this prospectus, unless otherwise stated and for illustration purpose only, certain amounts denominated in SGD, US\$, Malaysia Ringgit, Renminbi and MOP have been translated into Hong Kong dollars at an exchange rate of 6.31, 7.78, 2.58, 1.20 and 0.97 respectively. No representation is made that SGD, US\$, Malaysia Ringgit, Renminbi and MOP could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

FORWARD-LOOKING STATEMENTS

This prospectus contains many statements that are “forward-looking”. You can identify these statements by the use of terms such as “anticipate”, “believe”, “continue”, “expect”, “estimate”, “future”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “should”, “will”, “would”, negatives of such terms or other similar statements. You should not place undue reliance on any of these forward-looking statements. Although we believe our assumptions in making these forward-looking statements are reasonable, our assumptions may prove to be incorrect and you are cautioned not to place undue reliance on such statements. The forward-looking statements in this prospectus include, but are not limited to, statements relating to:

- our goals and strategies and our various measures to implement such strategies;
- our future business development, results of operations and financial condition;
- expected growth of and changes in the local and global health and wellness equipment markets;
- our ability to capture future market share;
- our ability to maintain strong relationships with our customers and manufacturers; and
- government policies regarding the health and wellness products industry.

The forward-looking statements included in this prospectus are subject to risks, uncertainties and assumptions about our businesses and business environments. These statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results of our operations may differ materially from information contained in the forward-looking statements as a result of many factors, including but not limited to the following:

- competition in the health and wellness equipment market;
- growth of, and risks inherent in, the health and wellness products industry;
- the reliance of our business on the performance of the health and wellness equipment market as a whole; and
- our ability to attract and retain qualified executives and personnel.

We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below prior to investing in our Shares. You should pay particular attention to the fact that we are a company with operations in Hong Kong, Macau and China and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We may fail to anticipate and respond to rapid changes in consumer preferences and demand in the health and wellness equipment market

Our continued growth and success depends on our ability to offer health and wellness products that appeal to our customers. Therefore, it is critical for us to predict and keep up with the constant changes in consumer preferences. Failure to do so may affect our ability to adjust our product mix or introduce new products that are commercially viable in a timely manner, which may cause fluctuations in our financial performance. During the Track Record Period, our financial performances were subject to such fluctuations. For the three financial years ended 31 March 2011 and the five months ended 31 August 2011, our revenues were approximately HK\$144.2 million, HK\$289.3 million, HK\$209.4 million and HK\$99.9 million, respectively. Our net profit during the Track Record Period were approximately HK\$15.3 million, HK\$69.1 million, HK\$37.2 million and HK\$11.4 million, respectively, representing net profit margin of approximately 10.6%, 23.9%, 17.8% and 11.5%, respectively. There is no assurance that we will be able to maintain a certain level of revenue and/or profit and our business, financial condition may be materially and adversely affected. However, we believe that our commitment to continuous investment in market research and product innovation will be vital to our success in satisfying the broad spectrum of consumer preferences in the health and wellness equipment market.

Failure to effectively maintain or enhance our brand value may materially and adversely affect our future success

We believe our brand value as a health and wellness product developer and marketer is important to our success, and market perception of a brand is typically one of the determining factors for consumers in making purchasing decisions. We focus on our brand promotion efforts on establishing and maintaining a unique and healthy image. For example, we believe our spokespersons are recognized for their healthy and amiable images. If we are unsuccessful in promoting our brand image or fail to maintain our brand recognition among our targeted consumer groups, or the difference in the value attributed to our products as compared to those of our competitors narrows, market perception and consumer acceptance of our brand may be eroded, and our business, financial condition, results of operation and prospects may be materially and adversely affected as a result.

RISK FACTORS

We may not be able to continuously enhance our design and development capability

Our competitiveness in the health and wellness equipment market depends in large on our research and development team's ability to consistently develop new products as well as make improvements and enhancements to existing products. We launch new products and introduce upgrades and innovations to our existing products from time to time to satisfy the requirements of our existing and prospective customers. In the event that we fail to enhance our research, design, and development capability to develop new products or improve existing products to meet the ever changing preferences and/or demands of the customers in a timely manner, or if we fail to cope with the latest technology developments, we may no longer be able to distinguish ourselves from other competitors or be surpassed by our competitors and be in an adverse situation, and hence causing adverse impact to our Group's operating results and future development. As such, we believe our ability to be continuously successful and remain competitive in the industry depends heavily on our research, design and development capability. If our research, design and development capability were to deteriorate significantly as a result of a loss of key research and development personnel, fundamental technological changes in the industry to which we cannot adapt in a timely manner, the loss of funding for our research and development team, or other reasons, we could lose significant market share to competitors.

We rely on our major suppliers for the supply of all our products

We focus our business on marketing and retail services and source all manufactured products from manufacturers who are Independent Third Parties. As we expect to expand our business and product portfolio, our reliance on manufacturers will likely increase in 2011 and beyond. Any disruption in the supply of our products or unfavourable changes in the prices or quality of those products could have a material and adverse effect on our business, financial condition and results of operations. We engaged various suppliers for the manufacture and supply of our products and they are responsible for procurement of the relevant raw materials. Our five largest suppliers accounted for approximately 64.3%, 74.0%, 79.3% and 68.1% of our total cost of sales for each of the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively, while our largest supplier accounted for approximately 34.4%, 27.5%, 33.9% and 26.7% of our total cost of sales for those respective periods. In the event that these suppliers terminate their contractual relationships with us or cannot provide products to us due to any reasons and we fail to timely contract with replacements of the same tier as our existing suppliers in terms of scale, quality and cost, our operation and financial performance could be materially and adversely affected. We could also be required to recall products due to product defects. Such defects or poor quality of products could adversely affect our reputation and brand image. Difficulties or delays in our suppliers' manufacturing and supply of products could increase our costs, causing us to lose revenue or market share and our business, financial condition and result of operation could be materially and adversely affected.

We may be affected by fluctuations in our gross profit margins within each product category

During the Track Record Period, we generated the majority of our revenue from the four product categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. Our different product categories have historically experienced different gross profit margins which

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fluctuated during the Track Record Period. The following table sets forth our revenue and gross profit margin by product categories during the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin	
	HK\$'000	(%)	HK\$'000	(%)	HK\$000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(unaudited)									
Relaxation products.....	118,547	75.3	258,127	72.3	162,962	69.3	75,673	72.7	64,267	66.1
Fitness products.....	13,189	56.7	12,901	53.1	37,821	76.6	5,289	67.1	15,377	66.6
Therapeutic products.....	9,508	62.2	13,248	54.7	5,993	50.3	2,469	66.7	18,790	70.5
Diagnostic products.....	2,985	56.3	5,007	57.7	2,626	61.2	1,632	61.1	1,468	60.0
Total.....	144,229	72.4	289,283	70.4	209,402	70.0	85,063	71.9	99,902	66.9

As the gross margins of our products may vary due to a number of factors including but not limited to our outsourcing production costs, the retail price of similar products in the market, marketing, features and functionality, any change in our product mix or sales contribution from our sales channels may affect our results of operations from period to period.

Any delay in the launch of new products may materially and adversely affect our financial performance and business operation

During the three years ended 31 March 2009, 2010, and 2011 and the five months ended 31 August 2011, we introduced 13, 12, ten and four new products, respectively. We encountered a six-month delay in the launch of a new key fitness product, OTO Cruncher, which was supposed to be launched in March 2010 for the summer season, as a result of additional time needed in meeting stringent quality and safety standards in preparation for the introduction of this new fitness product for local and International Sales. To avoid cannibalization of two new key products launching at around the same time, the planned new key relaxation product launch of OTO Power Repose (a back massager), which was supposed to be launched in July 2010, was postponed to December 2010. Such delays in the launch of new products are one of the main reasons that caused the decrease of our revenue for the year ended 31 March 2011 from our revenue for the year ended 31 March 2010. Details of the impacts of such delays to our financial performance are set forth in the section headed “Financial Information — Period to period comparison of results of operations — Year ended 31 March 2011 compared to year ended 31 March 2010 — Revenue” of this prospectus. We may encounter similar delays in the launch of new products in the future. Any such delays may materially and adversely affect our financial performance and business operation.

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We may be affected by any increase in rental expenses and consignment fees as the failure to procure the renewal of our existing retail space

We enter into lease agreements and consignment agreements to obtain retail space for the operation of our business. The rental expenses, rates and building management fees, and consignment fees associated with our retail sales for the Track Record Period amounted to approximately HK\$40.5 million, HK\$56.8 million, HK\$46.2 million and HK\$20.7 million respectively, representing approximately 28.1%, 19.6%, 22.1% and 20.7% of our total revenue, respectively. In the expansion of our retail network, there is no assurance that we can maintain suitable retail space and acceptable lease or consignment terms.

Also, there is no assurance to renew existing lease agreements or consignment agreements upon expirations or agree on terms and conditions that are favourable to us. As at 30 June 2011, we had an aggregate of 41 tenancy agreements and consignment agreements. Among these 41 tenancy agreements and consignment agreements, 25 of them would expire in the year ending 31 December 2011. From 1 July 2011 to the Latest Practicable Date, two tenancy agreements expired (being expired tenancy agreements under items (i) and (ii) in the section headed “Business - Properties - Leased properties and consignment counters in Hong Kong and Macau” in this prospectus) and we renewed a total of 12 tenancy agreements and consignment agreements to a period beyond 31 December 2011. Accordingly, as at the Latest Practicable Date, 11 of such agreements would expire in the year ending 31 December 2011. As at the Latest Practicable Date, we were negotiating with the landlord and department store operators for the renewal. Based on our negotiation, our Directors consider that such agreements will be renewed on or before their respective expiry dates.

Further, from 1 July 2011 to the Latest Practicable Date, we entered into one offer to lease, one new tenancy agreement and four new consignment counters. Accordingly, as at the Latest practicable Date, we had an aggregate of 46 tenancy agreements and consignment agreements. The following table sets forth the number of agreements in the respective jurisdiction as at the Latest Practicable Date which would terminate for the periods indicated:

	For the year ending 31 December				
	2011	2012	2013	2014	2015
Hong Kong	8	15	6	1	1
Macau	—	—	—	1	—
PRC	4	10	—	—	—
Total	12	25	6	2	1

Furthermore, according to terms of various tenancy agreements and consignment agreements, the respective landlords are contractually entitled to serve notice on us for early termination of the tenancy agreements and consignment agreements on the grounds of sale/redevelopment of the premises or other stipulated grounds. Further details regarding our leased properties and consignment counters are set forth in the section headed “Business — Properties” to this prospectus. There has been a general upward trend in rentals for commercial properties in Hong Kong in recent years. Failure to renew our retail space may lead to decrease in our revenue, and any substantial increase in rental expenses will increase our cost of operation.

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Our consignment counters in department stores accounted for approximately 41.4%, 35.8%, 37.4% and 35.2% of our total revenue during the Track Record Period. Consignment agreements with department stores contain revenue sharing terms, pursuant to which the consignment fees are typically calculated as a percentage ranging from approximately 25.5% to 33% of our monthly sales receipts or the higher of the basic monthly fee ranging from approximately HK\$25,000 to HK\$380,000, depending on the bargaining position of each of the respective department stores. In the event that the department stores reduce the percentage payable to us when renewing the consignment agreement with us, or do not pay us such sales revenue in a timely manner or at all, our financial conditions may be materially and adversely affected.

Our retail outlets may not be able to sell our products at the anticipated levels

The performance of our retail outlets is subject to a number of factors, including, mall management and flow of consumers, which are out of our control. Sales may fluctuate, and the number of retail outlets may change from time to time. We rely on the reporting mechanism imposed on our retail outlets to track their sales and inventory levels as well as our frontline salespersons to provide us with customer and market feedback. This process may involve their own judgements and inaccurate assessments of the market response and the latest trends may adversely effect our sales performance, and our business, operating results and financial condition may be adversely affected.

We are dependent on some of our key executives and the inability to retain or attract senior staff will adversely affect our performance

Our Directors and key management have contributed to our continued success and development to a significant extent. We rely on the continued services of our executive Directors and members of our senior management team for their expertise in managing and developing our business. In particular, Mr. CS Yip, a co-founder and the chairman of our Group, has been leading the development of “OTO” brand and products and has over 30 years of experience in the retail sector. Mr. Charlie Yip, the chief executive officer of our Group, has been contributing to the growth of “OTO” brand business and brand development in Hong Kong and Macau since he joined our Group’s operations in Hong Kong upon incorporation of OTO HK in 1986. Mr. David Yip, one of our executive Directors, has been contributing to our Group’s business development and branding activities since 1987. Mr. Wong Yoon Thim, our Group’s Financial Controller, is responsible for overseeing the financial and accounting functions of our Group and has over 14 years of experience in auditing and financial control matters. Further details of the Directors and senior management are set forth in the section headed “Directors, senior management and employees” in this prospectus. The loss of any key personnel without adequate replacements could adversely affect our business. In addition, we believe our future success will depend upon our ability to attract, retain and motivate our senior management. Our inability to do so would adversely affect our performance.

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We relied substantially on a single geographical market of Hong Kong during the Track Record Period

Despite our future business plan to expand in China, most of our business operations are based in Hong Kong as at the Latest Practicable Date. For the Track Record Period, sales derived from the Hong Kong market accounted for approximately 85.3%, 90.0%, 87.8% and 87.2%, respectively of our total revenue. In the event of any adverse changes in the Hong Kong economy, our profitability and performance may be adversely affected.

We rely on the sales of our relaxation products

Relaxation products are our key products, and a significant portion of our revenue is generated from our principal products comprising of various models. During the Track Record Period, relaxation products accounted for approximately 82.2%, 89.2%, 77.8% and 64.3% of the total revenue of our Group, respectively. Our success depends on our ability to predict, identify and interpret the lifestyles of and trends among, consumers and offer products that appeal to those consumer preferences. Due to changing consumer preferences and trends, there can be no assurance that the demand for these principal products will be sustained in the future and our business may be affected in the event such adverse changes occur. If there is any change in the market trend in relaxation products in the market or in the habit of lifestyles especially in the markets of Hong Kong, Macau and China, or there is any change or advancement in technology of relaxation products, our operation and financial position could be materially adversely affected.

We may not be able to execute our growth strategy in expanding our operations in China effectively

As at the Latest Practicable Date, we had 14 consignment counters in the PRC and we intend to expand our PRC operations by opening at least 100 retail outlets in the next three years. A majority of our retail outlets in the PRC will be consignment counters which do not require change of business scope to include “retail” and obtain additional operating licenses or approval for sales and require shorter set up time of approximately one month and relatively lower capital expenditure of approximately HK\$150,000 per consignment counter. For the opening of retail stores in the PRC, the Group will need to apply for the change of OTO Shanghai’s business scope and obtain the relevant operating licenses and permits. The Group is currently in the process of applying for the relevant changes and operating licenses for its retail stores. In addition, to manage and monitor our expansion plan in the PRC may require management expertise which may differ from those in Hong Kong and Macau. Although our PRC expansion plan will be carried over a period of three years ending 31 March 2014 which allow flexibilities in alteration and modification in our expansion plan subject to unfavourable and uncertain business environment, we may not be equipped to successfully manage such future expansion, which could place a significant strain on our management, financial, operations and other resources. We may be required to further enhance our management information system to support our control on various operations encompassing our accounting, finance, marketing, sales and distribution activities. Moreover, we will also be required to recruit and train additional personnel. Whilst we are already in the process in applying for relevant licences and committed to deploy additional resources to our expansion plans, there can be no assurance that our PRC expansion plans

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will work accordingly to plan and expectation. As such, our failure to obtain the approval from the relevant PRC government authorities for our applications and inability to implement and develop the infrastructure necessary to run our operations could materially affect our business and financial results.

A significant proportion of the net proceeds from the Global Offering is intended to be invested in the PRC market, in which the Group has a relatively short operating history compared to that of Hong Kong

Our Group has a relatively short operating history in the PRC market compared to that of Hong Kong, and we intend to use approximately 56.0% or HK\$45.9 million of the total estimated net proceeds of the Global Offering for the expansion of our retail network in the PRC market by opening new retail stores and department store consignment counters in certain major cities of the PRC, expanding our sales and marketing teams, and building our logistic facilities and enhancing logistic services to cover Shanghai, Northern China, Central China, and Southern China, the four major regions of our product markets in the PRC.

There is no assurance that our investment of the proceeds from the Global Offering in the PRC market will be successful. In the event that our expansion in the PRC does not perform as expected, our financial results may be adversely affected. Further information relating to our use of proceeds from the Global Offering are set out in the section headed “Future Plans and Uses of Proceeds” of this prospectus.

The acquisition of other companies or businesses or entering into strategic alliances could result in operating difficulties and other harmful consequences

We may acquire businesses or enter into strategic alliances in order to enhance our growth and expand our sales and distribution network. Such growth strategy relies on identifying suitable targets and successful negotiation to achieve acquisition or strategic alliances and even with successful completion of acquisition or strategic alliances, we may encounter:

- difficulties in integration of our business with the acquired business or strategic alliance partner
- delay or failures in utilizing benefits of the acquired business or strategic alliance partner or its products
- diversion of our management’s time, cost and attention from other business opportunities
- higher cost of operation than we anticipated in terms of integration
- difficulties in retaining key personnel who are necessary to manage the transition and integration of businesses

Any of the above factors which are beyond our control may have a material adverse effect on our business, financial condition, operations and prospects.

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Defects in our right to use our occupied properties could adversely affect our use of such property

As at the Latest Practicable Date, we occupied two consignment counters located in a well-known Japanese department store in Macau which contributed revenue of approximately HK\$18.1 million, HK\$22.8 million, HK\$19.2 million and HK\$7.3 million, respectively during the Track Record Period and accounted for approximately 12.5%, 7.9%, 9.2% and 7.3% respectively of the total revenue of the Group. We did not enter into any written consignment agreements with the operator of the department store in relation to such consignment counters. In addition, our Directors understand that such operator did not and will not enter into any written consignment agreement with operators of consignment counters, including our Group, because of its own commercial policy and common practice. The validity, legality and enforceability of such consignment agreements may be subject to uncertainties. It is estimated to take approximately one month with a minimal relocation cost of approximately HK\$200,000 for relocating our consignment counter to another retail location available in Macau.

As the Latest Practicable Date, we also leased four properties in the PRC, of which one is used as staff quarters, one is used as office, one is used for storage purpose and the other is planned to be used as retail store. Our use of one of the properties as a warehouse (which was originally intended to be used as staff quarters) may have deviated from the specified purpose of the property as residential units. Our PRC Legal Advisers are of the view that the validity, legality and enforceability of the leased property being used as a warehouse and leasehold interests under the relevant lease agreement, are subject to uncertainties under PRC law. The use of the above leased property may be challenged and our Group may need to relocate its existing warehouse. It is estimated to take approximately two months with a minimal relocation cost of approximately RMB5,000 for relocating the warehouse to another location available in the PRC. Further details of the PRC property are set forth in the section headed “Business — Properties — Leased properties and consignment counters in the PRC” in this prospectus. In addition, as advised by our PRC Legal Advisers, we might be subject to a maximum penalty of RMB50,000 for the deviation from the specified purpose of the property. We have also entered into a lease with respect to a property numbered 25 in the valuation report under Appendix IV to this prospectus with a floor area of approximately 63 sq.m., whereas the lessor of such property has not yet obtained the relevant certificate in relation to the property and has not carried out the necessary procedures with the relevant authorities in the PRC required for leasing out the property. As a result, the landlord may not have the right to lease the property to our Group. We cannot guarantee that the use and occupation of the property will not be challenged by third party nor can we continue to occupy the property for our retail purpose. It is estimated to take approximately two months with a minimal relocation cost of approximately RMB200,000 for relocation by leasing similar retail stores elsewhere. Additionally, we have entered into a lease with respect to a property numbered 23 in the valuation report under Appendix IV to this prospectus with a floor area of approximately 47.18 sq.m, whereas the Tenancy Agreement has not been registered with relevant authorities in the PRC. Hence we cannot guarantee that the use and occupation of the property will not be challenged by any bona fide third party.

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We may not be able to control the retail points and ensure the quality and services provided by our international customers

For International Sales, we sell our products to international customers for their subsequent sales to its end-users customers in the overseas markets. We sell our products to our international customers on a wholesale basis and we are not responsible for the operation of their retail outlets. Generally, our international customers are responsible for the sales and they are allowed to sell our products provided to them under our “OTO” brand to end-user customers. We rely on our international customers to manage the retail points and ensure the quality and services provided to end-user customer. Thus, our ability to ensure strict adherence to our policies is relatively limited. The failure of any international customers to comply with our policies could lead to erosion of the “OTO” brand and an unfavourable public perception of the quality of our products, which could have a material adverse effect on our business, operating results and financial condition.

Our cash management system may not be effective to prevent any misappropriation

Most of our products sold at our retail outlets are paid through credit cards as such payment mode provides convenience to our customers. Nonetheless, we still accept cash payment under our retail outlets. Except for payment through credit card for payment instalment plans, the sales proceeds of which will be paid by credit card companies to us directly, all sales proceeds from consignment counters are collected by the department store operators. We have established a system to maintain strict control over our cash flow, under which all cash receipts arising from sales at our retail stores in Hong Kong, Macau and China are deposited into our bank accounts on daily basis, while minimum cash of not exceeding HK\$1,888 are maintained at cash retail store at end of each day, such cash deposit receipt and evidence must be submitted to regional offices for checking and reconciliation. All cash payments must be processed by our regional offices, which are responsible for all cash management and budgeting decisions. However, such cash management system may not be effective to prevent any misappropriations. Should there be any misappropriation, our operation and financial performance could be materially and adversely affected.

Increases in commodity prices will increase purchasing costs for our products which may result in the reduction of our profitability

Commodity prices impact our business through the cost of our products and the costs of inputs for shipping and packaging our products. Commodities are susceptible to price volatility caused by conditions out of control, including fluctuations in commodities markets, currency fluctuations and changes in governmental policies. Since we procure all products from our manufacturers, the burden of increased cost may be passed on to us from our manufacturers. We also have limited control over the price at which our customers are willing to purchase our products, and if we are unable to pass the burden of increased cost to them, our business operation and financial condition may be materially and adversely affected.

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We may not be able to protect our intellectual property rights or may infringe others' intellectual property rights

As at the Latest Practicable Date, 37 registered trademarks in Hong Kong, Macau, China and other jurisdictions were held by us, while 40 registered trademarks were agreed to be transferred to us. The transfer and registration process of the trademarks as set forth in Appendix VI to this prospectus has commenced and will only be effective upon registration of the transfer in some jurisdictions. In addition, we may not be able to ensure effective registration of our trademarks. Further details are set out in the sections headed “Business — Intellectual Property”, and the paragraph headed “Intellectual property rights of our Group” in Appendix VI to this prospectus.

We rely upon a combination of copyright and trademark laws, trade secrets, confidentiality policies, non-disclosure and other contractual arrangements to protect our intellectual property rights. Monitoring unauthorised use of our intellectual properties is difficult and costly and we cannot assure you that we will be able to detect unauthorised use of our intellectual property rights or take appropriate, adequate and timely actions to enforce our intellectual property rights. Consequently, we may not be able to effectively prevent unauthorised use of our intellectual property rights in any jurisdiction, whether or not such intellectual property rights have been registered. Further, our efforts to protect our intellectual property rights may not be effective in preventing unauthorised parties from copying or otherwise obtaining and using our intellectual property rights.

Furthermore, it is necessary for us to disclose some of our know-how and certain aspects of our application of the proprietary technology and technological secret to specific employees. We are unable to guarantee that all of those employees currently or previously employed by us or our manufacturers will maintain confidentiality absolutely and appropriately. Our proprietary technology and technological secret, once leaked, may be taken advantage of by our competitors thereby intensifying the competition. Consequently, we may be placed in an adverse position in terms of competition and our business operation and financial condition may be adversely affected.

Additionally, litigation may be costly and may divert management attention and other resources away from the business. An adverse determination in any such litigation against us will impair our intellectual property rights and may harm our business, prospects and reputation and may have a material adverse effect on our business, results of operations and financial condition.

Lastly, third parties may initiate litigation against us for alleged infringement of their intellectual property rights. Although we have not experienced any material claims against us for infringement of others' intellectual property rights, in the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could suffer. Moreover, even if we were able to license the infringed or similar technology, license fees that we would pay to licensors could be substantial or economically not viable.

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Our existing insurance coverage for product liability may not be sufficient

Although we have not encountered any material products liability claims in the past, we cannot assure that we will not experience material losses from product liability claims in the future. To safeguard ourselves, we have obtained insurance to cover damage and losses arising from product liabilities according to the relevant laws and regulations. Details of our insurance coverage are set forth in the section headed “Business — Insurance” of this prospectus. Although we have obtained insurance coverage which we believe are consistent with our risks of loss and industry practice, our insurance may not be adequate to cover all potential liabilities. Further, we cannot assure you that insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. If we incur substantial liability and the insurance does not or is insufficient to cover the damages, our business, financial condition, results of operations and prospects may be materially adversely affected.

Adverse publicity concerning health and wellness product industry or product recall may affect our profitability

During the Track Record Period, we did not have any product recall. However, we cannot assure you that we will not experience any product recall in the future. We are highly dependent upon consumers’ perception of the safety and quality of our products. As a result, substantial negative publicity concerning health and wellness products or product recall could lead to a loss of consumer confidence in our products, damage our reputation or reduce sales of our products. Any of these events could have a material adverse effect on our business, financial condition or results of operations. We cannot guarantee that there will not be adverse publicity in the future concerning the health and wellness product industry or our products, which may have a material adverse effect on our business, financial condition or results of operations.

We may encounter difficulties in exercising stringent inventory control and cannot assure accuracy of the inventory data collected

During the Track Record Period, the Group had no obsolete goods written off. We had inventories and consumables of approximately HK\$4.8 million, HK\$5.3 million, HK\$6.9 million and HK\$7.9 million during the Track Record Period, respectively, representing approximately 9.5%, 3.8%, 4.6% and 4.5% of our current assets, respectively. The stock turnover days for each of three years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2011 were 39.2 days, 21.4 days, 35.3 day and 33.9 days, respectively. In order to maintain sufficient inventory of goods to meet the demand of our customers at any time and at the same time to minimize obsolete products, our policy is to maintain an optimal level of inventory, review our inventory control method and procedure constantly so as to minimize obsolete and overstocking merchandises offered. If we fail to maintain such optimal levels (for instance, by over-stocking our inventories or wrongly forecasting on consumer demand), our profitability and financial position may be adversely affected. We also cannot assure accuracy and completeness of the sales and inventory data which is dependent on the cooperation of distributors and our system linked to retail outlets to accurately and timely report and submit relevant data. If such data are not reported in a timely manner, or if such collected data is not accurate nor relevant, we may not

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be able to accurately monitor and evaluate sales performance and inventory levels of retail stores. In any event if our stocks are damaged (for example by fire or other accidents), this may disrupt our business and our business and profitability may further be materially and adversely affected if we cannot recover our losses from our insurers.

Potential labour disputes could significantly affect our operations

Labour disputes, work stoppages or slowdowns at our retail stores or any of our contractual manufacturers or agents could significantly disrupt our operations or expansion plans. Although we have not experienced any material labour disputes during the Track Record Period which would materially and detrimentally affect our business operation, any delay and dispute in the future could cause disruptions and materially and adversely affect our operations or projections for increased demand and revenues, which could have a material adverse effect on our business, operating results and financial conditions.

Any emergency risks, system failures and insufficient insurance coverage may affect our operational and financial performance

As with any business operation, we are susceptible to the normal emergency and security risks in the form of breakout of fire, electricity disruptions, theft and computer viruses and other adverse events. Such incidences may affect the operational and financial performance of our Group. Thus, we are aware of the adverse consequences arising from inadequate insurance coverage and we endeavour to carry out periodic review to ensure that our assets are adequately insured. However, there can be no assurance that the insurance coverage would be adequate for the replacement costs of the assets or any consequential loss arising therefrom.

We are exposed to foreign exchange risks

Payments made by the Group for settlement of purchases with manufacturers are made in Hong Kong dollars, Singapore dollars, Japanese Yen, US dollars and RMB. Payments made by local and overseas customers of the Group are made in Hong Kong dollars, MOP, Singapore dollars and RMB. We presently do not intend to use any derivative instruments in foreign currency to hedge the risk against foreign currency exchange fluctuation. Accordingly, we are exposed to exchange rate fluctuations and such exposure may adversely affect the financial position of the Group.

Natural disasters, acts of God, political unrest and epidemics may adversely affect the national and regional economies in Hong Kong, Macau and China

Our business, financial condition and results of operation may be materially and adversely affected if natural disasters like floods, earthquakes, sandstorms and droughts occur in Hong Kong, Macau and in the regions of the PRC including cities where we operate. Political unrest, acts of God and terrorist attack may cause damage or disruption to our employees, facilities, sales channels operated by authorized distributors and our markets, any of which could materially and adversely affect our sales, cost of sales, overall operating and financial condition. The potential for war or terrorists attack may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. Past occurrences of epidemics such as Severe Acute Respiratory Syndrome

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(“SARS”), H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1) and the recent European sovereign debt crisis, have caused different degrees of damage to the national and local economies in Hong Kong, Macau and China. A recurrence of any other similar epidemic could cause a slowdown in the levels of general economic activity, which could in turn adversely affect our results of operations and the price of the Shares.

RISKS RELATING TO THE INDUSTRY

Counterfeit products may adversely affect our image, business and profitability

Counterfeiting of our products might be found although we believe that the unique features of our products have prevented any large scale counterfeiting of our products during the Track Record Period. We would actively take legal actions and proceedings against such counterfeiting activities and protect the intellectual property rights over the unique features of our products. Although we have not experienced any counterfeiting of our products during the Track Record Period which would materially and detrimentally affect our business operation, such actions may have different degrees of success or not at all. Should counterfeiting of our products be a continuing phenomenon, our image, business and profitability will be adversely affected.

Any failure by us to respond to the competitive environment in the health and wellness products industry in a timely manner may adversely affect our business, operating results and financial condition

Our financial performance is dependent upon the continued growth of consumer demand for health and wellness products. There can be no assurance that growth of the industry will continue at current rates or at all.

The health and wellness industry has been characterized by a more rapid launch of new models, continuous technological advancement, evolving industry standards and changing customer needs, leading to a trend of shorter product life cycles and competitive pressure to enhance products or introduce new quickly into the market. Generally, our key products cover a lifecycle of approximately four to five years, subject to the nature of products and market demand. Any of the aforesaid factors could shorten our product lifecycle, which could vary according to the market conditions. Competitors may introduce new products or product enhancements in advance of us that may render our existing products and production technologies less competitive. Any failure by us to take timely measures to respond to competing products, technological developments and changing industry standards could adversely affect our business, operating results and financial condition.

Global or regional economic conditions could adversely affect our industry

External factors such as financial crises, economic recessions or political and social turmoil in those parts of the world where our products are sold, such as Hong Kong, Macau and China, could adversely affect our business, operating results, financial conditions, and prospects in ways which we cannot predict. The demand for our products may decrease if the level of consumption in the markets where our products are sold is affected by such changing market conditions and hence our business, operating results and financial conditions may be adversely affected.

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Any unfavourable changes in the regulatory environment may materially and adversely affect our operations and financial performance

Our operations and business are subject to various laws and regulations in which regulators' decisions may materially and adversely affect our financial results and operations. We seek to adhere strictly to regulations in all the jurisdictions in which we operate, particularly those regulations pertaining to safety and quality. Nevertheless, changes in regulations may have an adverse impact on our financial condition and results of operations if a substantial quality of non-compliant products are prohibited for sale or if we are unable to respond in a timely manner to such changes by, for example, not being able to procure sufficient quantities of a product that adhere to such new regulations. We may also be negatively affected by regulations on the sourcing of products, to the extent we are unable to procure such materials or components on a cost-effective basis, if at all.

The global financial crisis had negative repercussions on the global economy

The global financial crisis in 2008 caused substantial volatility in the capital markets and a downturn in the global market. Demand for our products may decrease if the level of consumption is affected by these changing market conditions, which may adversely impact cash flow generated from our operations. The recent European sovereign debt crisis has aroused concerns about the rising cost of financing government debt. Furthermore, the availability of credit to entities, such as ourselves, operating within emerging markets, is significantly influenced by levels of investor confidence in such markets as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If another economic downturn occurs or there are prolonged disruptions to the credit markets in the future, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO HONG KONG AND MACAU

Political considerations of Hong Kong and Macau may have material adverse effect on our business and financial condition

The business operations of our Group are mostly based in Hong Kong and Macau. Hong Kong and Macau are both special administrative regions of the PRC with their own government and legislature. Under the Basic Law, Hong Kong and Macau are entitled to a high degree of autonomy granted by the PRC under the principle of "one country, two systems". However, there is no assurance that Hong Kong and Macau will continue to enjoy its current level of autonomy from the PRC, and if it does not, this could have a material adverse effect on our business and financial condition.

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Any adverse change in the economic conditions of Hong Kong and Macau may adversely affect our operating results

Our performance is dependent on the overall state of economy in Hong Kong and Macau where our services and products are being sold. Any adverse change in the economic conditions in Hong Kong and Macau will reduce demand for our services and products, thus adversely affecting our operating results.

RISKS RELATING TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on our Group

As at the Latest Practicable Date, we had a total of 14 consignment counters in the PRC. Potential investors should note that changes in the economic and political environment in the PRC and policies adopted by PRC government to regulate its economy may adversely affect our operations, performance and profitability. The PRC economy has traditionally been a planned economy and over the past three decades, the PRC government has implemented economic and political reform measures. Such reforms have resulted in significant economic and social advancement. The PRC government continues to play a significant role in regulating industries by imposing industrial policies. Any changes in the economic and political situation in the PRC and policies adopted by the PRC government may affect our operations in the PRC and our performance and profitability.

Changes in PRC foreign exchange regulations may adversely affect our business operations

The PRC government impose controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. We expect to receive our PRC-related revenue in RMB, which is not a freely convertible currency. Our PRC subsidiary must convert their RMB earnings into foreign currency before they may pay cash dividends to our Company or honour their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required when RMB is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investments in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect the our ability to finance our PRC subsidiary. Subsequent to the Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from the Global Offering in the form of registered capital or a shareholder loan into its PRC subsidiary to finance our operations in China. The choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our subsidiary in China is subject to approval by PRC government authorities in case of an increase in registered capital, and subject to approval by and registration with PRC government authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiary permit any such shareholder loans. These limitations on the flow of funds between our Company and our PRC subsidiary could restrict our ability to act in response to

RISK FACTORS

changing market conditions. We cannot assure that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in future. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. The PRC government has stated publicly that it intends to make the RMB freely convertible in the future. However, we cannot predict if or when these reforms will take place.

We may become relying on dividends paid out of the profits generated by our PRC subsidiary for foreign currency needs of other non-PRC members of our Group after the Listing

Our Company is a holding company incorporated in the Cayman Islands. Our revenue is generated from our business operations conducted through our subsidiaries. Our Company's ability to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries, depends upon the receipt of dividends, distributions or advances from our subsidiaries. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with accounting standards and regulations in China. According to the applicable PRC laws and regulations, each of our PRC subsidiary is required to maintain a general reserve fund and a staff welfare and bonus fund. Our PRC subsidiary is also required to set aside a percentage of its after-tax profit based on PRC accounting standards each year to its general reserves in accordance with the requirements of relevant laws and provisions in its articles of association. These reserves are not distributable as cash dividends. Contributions to such reserves are made from our PRC subsidiary's net profit after taxation. In addition, if our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result of these PRC laws and regulations, our PRC subsidiary is restricted in its ability to transfer its net profit to us in the form of dividends. We will rely on dividends paid by our PRC subsidiaries for future foreign currency needs of other non-PRC members of our Group that cannot be provided by equity issuance or borrowings. If our PRC subsidiaries cannot pay dividends due to government policy and regulations, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our foreign currency denominated indebtedness or pay our off-shore expenditures, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

The PRC legal system embodies uncertainties that could adversely affect our business and results of operations

We have assets located in China and some of our employees are PRC citizens. Our operations are therefore subject to the PRC legal system and PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite the development of the PRC legal system, the legal system of the PRC is still considered to be underdeveloped when compared with the legal systems of some western countries. The PRC legal system is based on written statutes and their interpretation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

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The implementation of the labour contract law and increase in labour costs in the PRC may adversely affect our Group's business and profitability

A labour contract law became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Further, we are required to enter into non-fixed term employment contracts with employees who have worked for us for more than ten years or, unless otherwise provided in the new labour contract law, for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the new labour contract law without cause unless there exists special circumstances as stipulated in the new labour contract law as well as other PRC laws for the termination of the employment contracts by the employer. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, unless such employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. In addition, under the newly promulgated "Regulations on Paid Annual Leave for Employees" (《職工帶薪年休假期》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' service. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the new law, our labour costs may increase. There is no assurance that any disputes, work stoppages or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could adversely affect its business, financial condition or results of operations.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for the Shares, and the liquidity and market price of the Shares may be volatile

Prior to Listing, there has been no public market for the Shares. The Offer Price for the Shares will be agreed between the Sole Global Coordinator (on behalf of the Underwriters), the Selling Shareholders and the Company, and may differ from the market prices for the Shares after Listing. The Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, there is no assurance that the listing of the Shares on the Stock Exchange will result in the development of an active and liquid public trading market for the Shares. The market price, liquidity and trading volume of the Shares may be volatile. There can be no assurance as to the ability of the holders to sell their Shares or the price at which the Shares can be sold. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in the turnover, earnings, cash flows and costs, announcements of new investments, and changes in laws and regulations in China. There is no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past for reasons not related to their performance, and thus it is possible that the Shares may be subject to changes in price not directly related to our performance.

RISK FACTORS

We may not be able to achieve our future plans

Our future plans as set out in the section headed “Future Plans and Uses of Proceeds” in this prospectus are based on circumstances currently prevailing and the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. Our future prospects must be considered in light of the risks, expenses and difficulties which may be encountered by us in various stages of development of business. There can be no assurance that we will be successful in implementing its strategies or that its strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement its strategies effectively, our business operations and financial performance may be adversely affected.

We cannot assure you that we will pay dividends in the future

For each of the three years ended 31 March 2011, we declared dividends of approximately HK\$0.9 million, HK\$16.2 million and HK\$4.0 million. Any future declaration of dividends will be proposed by our Board. The amount of future dividends on our Shares will depend on our earnings and financial position, our results of operations, our capital needs, our plans for expansion, our distributable reserves and other factors as our Directors may deem appropriate. Subject to the Companies Law, Shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Accordingly, we cannot assure you that we will pay dividends in the future.

Current volatility in the global financial markets could cause significant fluctuations in the price of the Shares

Financial markets around the world have been experiencing heightened volatility and turmoil since 2008. Upon Listing, the price and trading volume of the Shares will likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of the stock price include:

- developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to our Group;
- announcements of strategic developments, acquisitions and other material events by our Group or the competitors of our Group; and
- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of the Shares may decline significantly, and you may lose a significant value on your investments.

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Future sales of substantial amounts of the Shares in the public market could adversely affect the prevailing market price of our Shares

The Shares held by the Controlling Shareholders are subject to certain lock-up periods. Please refer to the section headed “Underwriting” in this prospectus for further information. We cannot assure you that, after such restrictions expire, the Controlling Shareholders will not dispose of any Shares. Sales of substantial amounts of the Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of the Shares.

The interests of our Controlling Shareholders may not be aligned with those of our other Shareholders

Immediately upon completion of the Global Offering, our Controlling Shareholders will have effective control approximately 65.0% of our Company’s post-Global Offering share capital. As a result, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the appointment of directors and the approval of significant corporate transactions. They may also have veto power with respect to any Shareholders’ action or approval requiring a majority vote except where they are required by the Listing Rules to abstain from voting. In the case where the interests of the Controlling Shareholders conflict with those of our other shareholders, or if the Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other shareholders, such other shareholders could be left in a disadvantageous position by such actions caused by the Controlling Shareholders.

Our Controlling Shareholders have entered into a non-compete undertaking under which they have agreed, subject to certain exceptions, not to engage, directly or indirectly, in any competing business against us in Hong Kong, Macau, the PRC and other regions of the world (except Singapore and Malaysia) as long as they remain our Controlling Shareholders and the Shares are listed on the Stock Exchange. Please refer to the section headed “Relationship with Controlling Shareholders” to this prospectus for further details.

Our ability to raise capital in the future may be limited and our failure to raise capital when needed

The Directors believe that our existing cash and cash equivalents together with the net proceeds from this Global Offering will be sufficient to meet the anticipated cash needs for the next 12 months following the Listing. The timing and amount of the working capital and capital expenditure requirements may vary significantly depending on a number of factors, including market acceptance of our products, the need to adapt to changing technologies and technical requirements, and the existence of opportunities for expansion.

If our capital resources are insufficient to satisfy liquidity requirements after 12 months following the Listing, we may seek to raise additional funds through the issue of new equity securities or debt securities or obtain debt financing. The issue of additional equity securities or convertible debt securities by the Company other than on a pro-rata basis will result in additional dilution to the Shareholders, and such convertible securities so issued may confer rights and privileges that take

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priority over those conferred by the Shares. On the other hand, additional debt would result in increased expenses and could result in covenants that would restrict our operations. We have not made arrangements to obtain additional financing, and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to our Group, if at all.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus are derived from official government sources and statistics may not be relied upon

Certain information and statistics contained in the section headed “Industry Overview” of this prospectus has been extracted and derived, in part, from various official government publications and statistics. Whilst reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither the Company, nor the Selling Shareholders, nor the Sole Sponsor or the Underwriters, nor any of the Company or their respective affiliates or advisers, nor any party involved in the Global Offering have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information or statistics compiled within or outside China. We make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained the section headed “Industry Overview” of this prospectus are derived from market data provided by Frost & Sullivan. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading. However, the information has not been independently verified by us, the Selling Shareholders, the Sole Global Coordinator, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Waiver from strict compliance with Rule 8.12 of the Listing Rules

Rule 8.12 of the Listing Rules requires a new applicant applying for a primary listing on the Main Board to have a sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Mr. Charlie Yip, being one of our executive Directors, is ordinarily resident in Hong Kong. All other executive Directors are however ordinarily resident in Singapore. We would have to appoint at least one executive Director or relocate one executive Director to Hong Kong, in order to comply strictly with the requirements under Rule 8.12 of the Listing Rules. Our Directors consider that it would be practically difficult and not commercially feasible for our Company to implement such arrangement. We do not have, nor do we contemplate in the foreseeable future, that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and the Company, we will put in place the following measures:

- a. our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Charlie Yip (our executive Director) and Ms. Lim Yi Ping (our joint Company Secretary, who has been appointed by our Board and who has been so nominated by Boardroom Corporate Services (HK) Limited ("BCS") under an engagement letter made between our Company and BCS, pursuant to which BCS has agreed to provide certain corporate secretarial services to our Company). They will act as our principal channel of communication with the Stock Exchange. Each of Mr. Charlie Yip and Ms. Lim Yi Ping is ordinarily resident in Hong Kong. Each of the authorised representatives of the Company has confirmed that he/she will be available to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and electronic means;
- b. each of the authorised representatives will be provided means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each of them is authorized to communicate on behalf of our Company with the Stock Exchange;
- c. all of our Directors who are not ordinarily residents in Hong Kong possess valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period of time when required;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- d. each of the Directors will furnish his/her mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange should the Stock Exchange wish to contact any of the Directors;
- e. in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation or other means of communications to our authorised representatives;
- f. our Company will retain a compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date and the compliance adviser will act as an additional channel of communication of our Company with the Stock Exchange. Such compliance adviser will act as an additional channel of communication with the Stock Exchange when our authorized representatives are not available; and
- g. our Company will maintain a principal place of business in Hong Kong at 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong.

RESIDENCY AND QUALIFICATION OF COMPANY SECRETARY

Under Rule 8.17 of the Listing Rules, the company secretary of the issuer must be a person who is ordinarily resident in Hong Kong and has the requisite knowledge and experience to discharge the functions of the secretary of the issuer and who:

- is an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant as provided under Rule 8.17(2) of the Listing Rules; or
- is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions as provided under Rule 8.17(3) of the Listing Rules.

Mr. Wong Yoon Thim joined the Group in November 2010, and has been acting as the Group Financial Controller. He was admitted as a member of the Association of Chartered Certified Accountants in 1999. He became a member of the Institute of Certificate Public Accountants of Singapore in 2009. Before joining the Group, he was the chief financial officer of CMZ Holdings Limited, a company listed on the Singapore Stock Exchange, during the period between December 2006 and November 2010. He also served CMZ Holdings Limited as a company secretary during the period between May 2010 and November 2010.

Given his experience and qualifications, Mr. Wong will be appointed to become one of the Company's joint secretaries.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

However, Mr. Wong is only a qualified accountant in Singapore, and he is not a professional accountant as defined under Chapter 1 of the Listing Rules. He does not possess the qualifications required under Rule 8.17(2) of the Listing Rules, and hence does not meet the requirements under Rule 8.17(2). Currently, he is not ordinarily resident in Hong Kong but is ordinarily resident in Singapore.

In this regard, our Group has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules for an initial period (“Initial Period”) of three years from the Listing Date subject to the following conditions:

- our Company has appointed Ms. Lim Yi Ping (“Ms. Lim”) as a joint company secretary. Ms. Lim is a professional accountant who possesses the professional qualifications required under 8.17(2) of the Listing Rules. Under the engagement letter made between our Company and Boardroom Corporate Services (HK) Limited (“BCS”), it has been agreed that BCS will agree to render corporate secretarial services to our Company, and Ms. Lim has been nominated by BCS to assume the office of joint company secretary of our Company. Ms Lim is currently ordinarily resident in Hong Kong and she also possesses the qualifications required under Rule 8.17 of the Listing Rules. Mr. Wong, as the Financial Controller of our Company, will work together with Ms. Lim to assume and deliver the functions of joint company secretaries of our Company. He will also be the person at our Company whom BCS may contact in connection with its provision of corporate secretarial services.

Ms. Lim will work together with Mr. Wong so as to enable him to acquire the relevant experience concerning the Listing Rules and other applicable Hong Kong practices in order for Mr. Wong to discharge the duties of a company secretary under Rule 8.17(3) of the Listing Rules. This waiver will be revoked immediately when Ms. Lim (or where applicable, her replacement who has the qualifications to comply with Rule 8.17 requirements) ceases to be a joint company secretary of our Company to work together with Mr. Wong during the Initial Period; and

- upon the expiry of the Initial Period as stated above, our Company has to liaise with the Stock Exchange and the Stock Exchange will re-visit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange’s satisfaction that, Mr. Wong, having had the benefit of Ms. Lim’s assistance for three years, would have acquired relevant experience within the meaning of Rule 8.17(3) such that a further waiver will not be necessary.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has entered into certain transaction(s), which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Details about such transactions together with the application for a waiver from strict compliance with the relevant announcement requirement under Chapter 14A of the Listing Rules are set out in the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies Ordinance and the Securities and Futures (Stock Market Listing) Rules of the SFO (Chapter 571V of the laws of Hong Kong) for the purpose of giving information with regard to the Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any of their respective directors, or any other person involved in this Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

The Global Offering comprises of the Hong Kong Public Offer of initially 8,000,000 Hong Kong Offer Shares and the International Placing of initially 72,000,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" of this prospectus and, in case of the International Placing, also to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing will be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement and are subject to the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date which is expected to be on or around Tuesday, 6 December 2011 and in any event no later than Thursday, 8 December 2011, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of the Company's or their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

Further information on the structure of the Global Offering, including its conditions, is set forth in the section headed "Structure of the Global Offering" of this prospectus, and the procedures for applying for the Offer Shares are set forth in the section headed "How to Apply for the Hong Kong Offer Shares" of this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. If the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Capitalisation Issue and Global Offering (including any option which may be granted under the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Share Option Scheme). Dealings in our Shares on the Hong Kong Stock Exchange are expected to commence on or about 13 December 2011. Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on the Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by the Company's principal share registrar in the Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of the Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of the Company, the Selling Shareholders, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to apply for the Hong Kong Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business date after any trading date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
YIP Chee Seng (葉治成)	Block 84 Telok Blangah Heights, #07-329 Singapore 100084 Singapore	Singapore
YIP Chee Lai Charlie (葉志禮)	Flat G, 27/F Block 25, Dover Court South Horizons, Ap Lei Chau Hong Kong	Singapore
YIP Chee Way, David (葉志偉)	495C Tampines Street 43, #03-388 Singapore 522495 Singapore	Singapore
<i>Non-executive Director</i>		
YEP Gee Kuarn (葉自強)	Block 19 Bedok South Road, #18-23 Singapore 460019 Singapore	Singapore
<i>Independent non-executive Directors</i>		
CHAN Yip Keung (陳業強)	Flat A, 5/F Block 7, Hanford Garden 333 Castle Peak Road Tuen Mun, N.T. Hong Kong	Chinese
CHUNG Kin Fai (鍾健輝)	Flat 1709, 17/F, Block C Villa Lotto 18 Broadwood Road Happy Valley Hong Kong	Singapore
LO Yee Hang (盧懿杏, formerly known as “盧懿行”)	Flat B, 23/F Block 2 Elegant Terrace 36 Conduit Road, Central Mid-level, Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BOCOM International (Asia) Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
Co-Lead Managers	OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong UOB Kay Hian (Hong Kong) Limited 15/F, AON China Building 29 Queen's Road Central Hong Kong
Legal advisers to the Company	<i>as to Hong Kong law:</i> Chiu & Partners 40/F, Jardine House 1 Connaught Place Central Hong Kong <i>as to PRC law:</i> Jingtian & Gongcheng Suite 1202-1204, K. Wah Centre 1010 Huaihai Road (M) Xu Hui District Shanghai China <i>as to Macau law:</i> Leong Hon Man Law Office 12/F, China Law Building No. 49, Avenida da Praia Grande Macau <i>as to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal adviser to the Sole Sponsor and the Underwriters	<i>as to Hong Kong law:</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong <i>as to PRC law:</i> Haiwen & Partners 21/F Beijing Silver Tower No. 2 Dong San Huan North Road Chaoyang District Beijing 100027 PRC
Auditors and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35th Floor One Pacific Place 88 Queensway Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 6 Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Receiving banker	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and Principal place of business in Hong Kong	26th Floor, Pacific Plaza 410 Des Voeux Road West Hong Kong
Company's website	www.otobodycare.com (information on the website does not form part of this prospectus)
Joint company secretaries	Wong Yoon Thim (member of Association of Certified Chartered Accountants) Lim Yi Ping (member of Hong Kong Institute of Certified Public Accountants)
Authorised representatives	Yip Chee Lai, Charlie Flat G, 27/F Block 25, Dover Court South Horizons, Ap Lei Chau Hong Kong Lim Yi Ping Flat F, 9/F Valiant Park 52 Conduit Road Hong Kong
Audit committee	Chan Yip Keung (<i>Chairman</i>) Chung Kin Fai Lo Yee Hang
Remuneration committee	Lo Yee Hang (<i>Chairman</i>) Chan Yip Keung Chung Kin Fai
Nomination committee	Chung Kin Fai (<i>Chairman</i>) Yep Gee Kuarn Lo Yee Hang

CORPORATE INFORMATION

Principal share registrar and transfer office in Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
Compliance Adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong

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We have extracted and derived the information and statistics in the section below, in part, from various official government publications or other sources relating to the economies of Hong Kong, Macau and China and the industry in which we operate. The information derived from such sources may not be consistent with the information compiled within or outside of Hong Kong, Macau and China. Moreover, certain facts, information, statistics and data set forth in this section and elsewhere in this prospectus are derived from a market research report prepared by Frost & Sullivan, an independent marketing and consulting agency. We believe that the sources of the information extracted from the Frost & Sullivan Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information extracted from the Frost & Sullivan Report has not been independently verified by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy or correctness and accordingly it should not be unduly relied on.

ECONOMIC OVERVIEW OF HONG KONG, MACAU AND CHINA

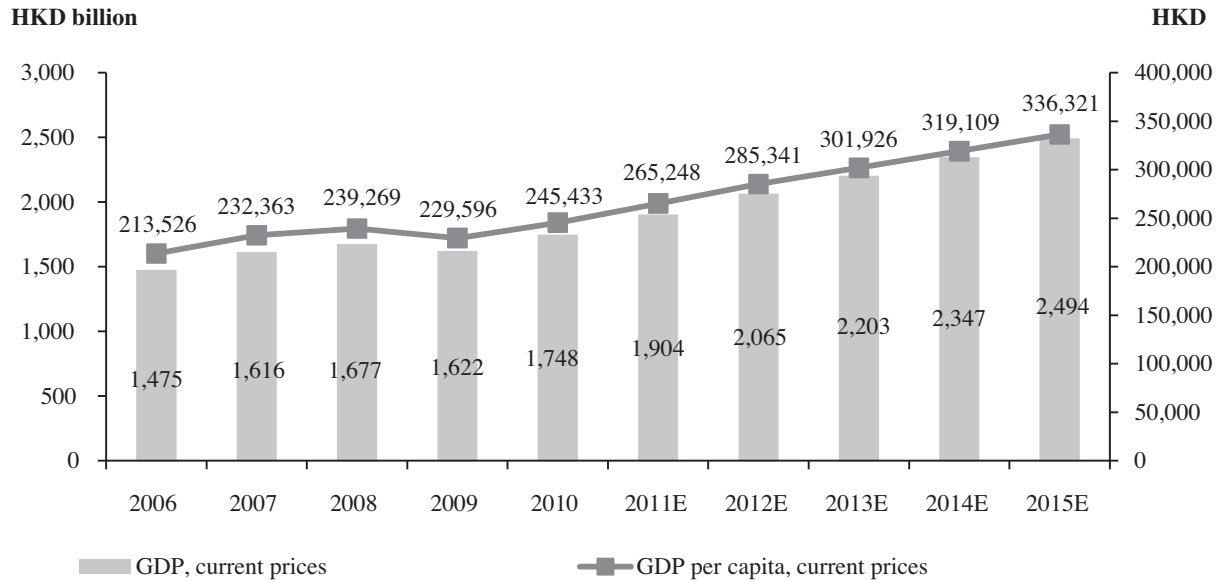
Major Economic Indicators of Hong Kong, Macau and China

Hong Kong

The Hong Kong economy continued to grow in recent years riding on China's strong economic growth. Hong Kong's GDP grew from HK\$1,475 billion in 2006 to HK\$1,748 billion in 2010, representing a CAGR of 4.3%. According to IMF World Economic Outlook, Hong Kong's GDP is projected to reach HK\$2,494 billion in 2015, representing a CAGR of 7.4% from 2010 to 2015. Similarly, Hong Kong's GDP per capita grew from HK\$213,526 in 2006 to HK\$245,433 in 2010, representing a CAGR of 3.5%. According to IMF World Economic Outlook, Hong Kong's GDP per capita is projected to reach HK\$336,321 in 2015, representing a CAGR of 6.5% from 2010 to 2015. The appreciation of Renminbi continues to drive consumption power from mainland China consumers and their spending in Hong Kong. The chart below sets forth the GDP and GDP per capita of Hong Kong from 2006 to 2010 and the forecast from 2011 to 2015.

INDUSTRY OVERVIEW

GDP and GDP per capita of Hong Kong

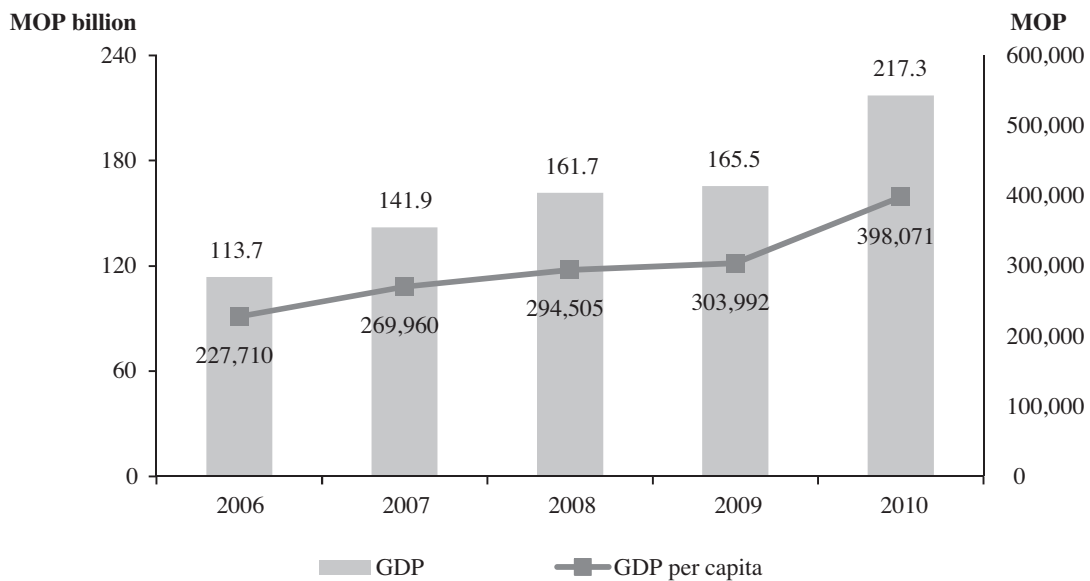


Source: International Monetary Fund, The World Economic Outlook database

Macau

The Macau economy continued to grow in recent years riding on China's strong economic growth. Macau's GDP grew from MOP113.7 billion in 2006 to MOP217.3 billion in 2010, representing a CAGR of 17.6%. Similarly, Macau's GDP per capita grew from MOP227,710 in 2006 to MOP398,071 in 2010, representing a CAGR of 15.0%. The chart below sets forth the GDP and GDP per capita of Macau from 2006 to 2010.

GDP and GDP per capita of Macau



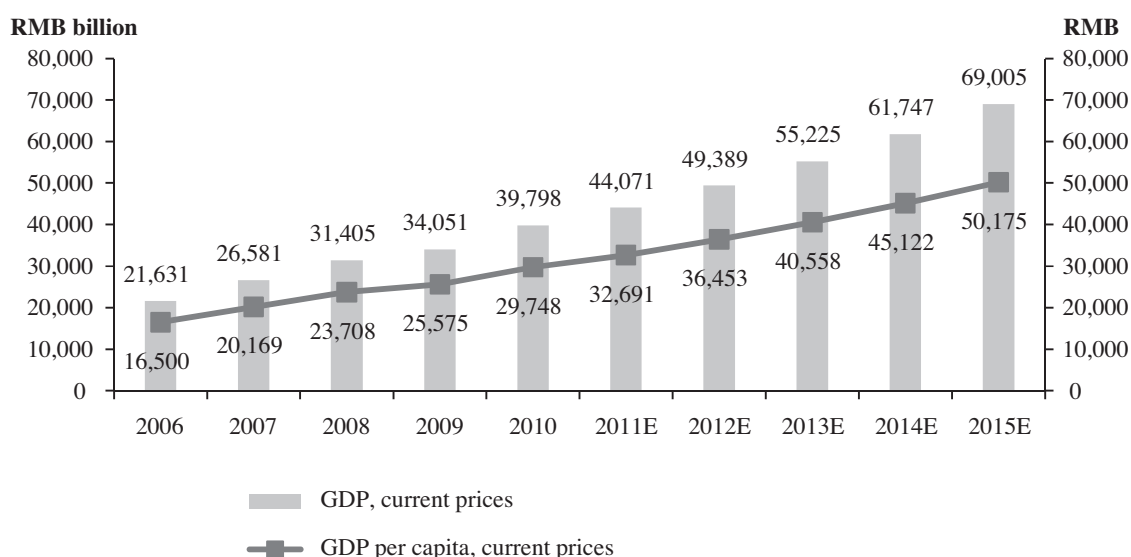
Source: Statistics and Census Service, Macao SAR Government

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China

The Chinese economy has grown significantly since the economic reform by the Chinese government in the late 1970s. China's GDP grew from RMB21,631 billion in 2006 to RMB39,798 billion in 2010, representing a CAGR of 16.5%. Despite the global recession in 2008 and 2009, China's GDP experienced a growth of 9.6% and 9.1%, respectively. According to IMF World Economic Outlook, China's GDP is projected to reach RMB69,005 billion in 2015, representing a CAGR of 11.6% from 2010 to 2015. Similarly, China's GDP per capita grew from RMB16,500 in 2006 to RMB29,748 in 2010, representing a CAGR of 15.9%. According to IMF World Economic Outlook, China's GDP per capita is projected to reach RMB50,175 in 2015, representing a CAGR of 11.0% from 2010 to 2015. The chart below sets forth the GDP and GDP per capita of China from 2006 to 2010 and the forecast from 2011 to 2015.

GDP and GDP per capita of China



Source: National Bureau of Statistics of China, The World Economic Outlook database

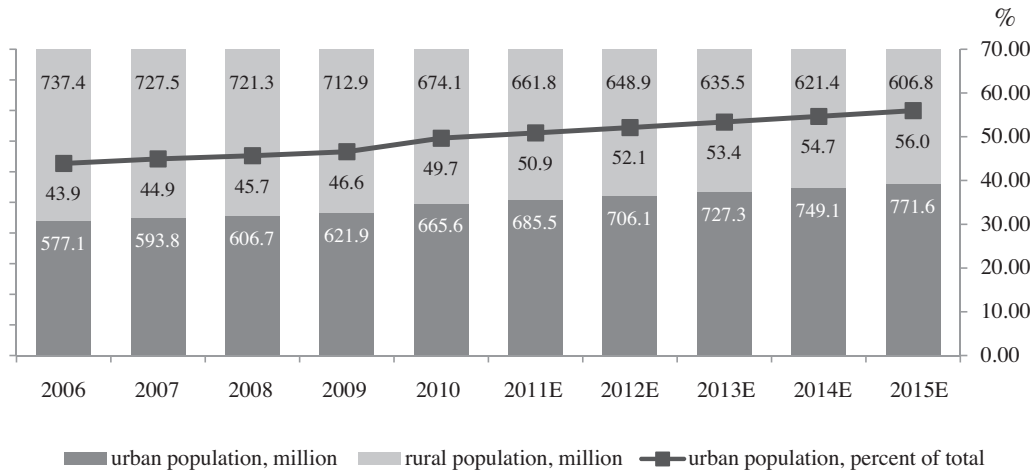
Rapid growth of urban population and urbanization rate in China

China is experiencing rapid urbanization due to the country's rapid economic growth where people are moving from rural areas into cities to seek better jobs and higher standard of livings. The total urban population in China grew from 577.1 million in 2006 to 665.6 million in 2010, representing a CAGR of 3.6% where urbanization increased by approximately 5.8% over the same period. According to National Bureau of Statistics of China, China's urbanization rate is expected to reach

INDUSTRY OVERVIEW

56.0% in 2015 and urban population is estimated to grow to 771.6 million in 2015, presenting a CAGR of 3.0% from 2010 to 2015. The chart below sets forth the urban population growth trend in China from 2006 to 2010 and the forecast from 2011 to 2015.

Urban Population Growth Trend in China



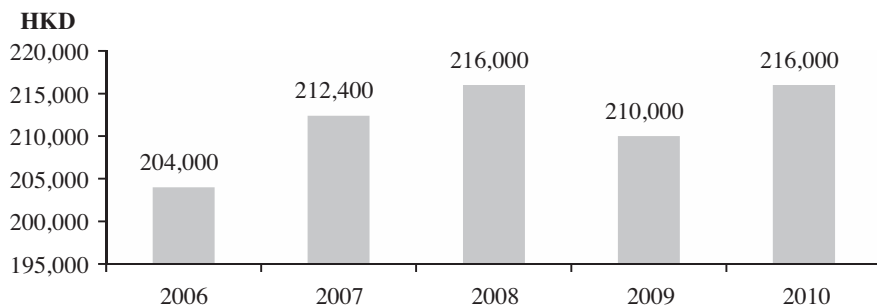
Source: National Bureau of Statistics of China, Yearbook of Statistics of China; The Sixth National Population Census Announcement

Income Levels in Hong Kong, Macau and China

Hong Kong

Hong Kong's median household income grew from HK\$204,000 in 2006 to HK\$216,000 in 2010, representing a CAGR of 1.44%. The chart below sets forth the median household income in Hong Kong from 2006 to 2010.

Median Household Income in Hong Kong



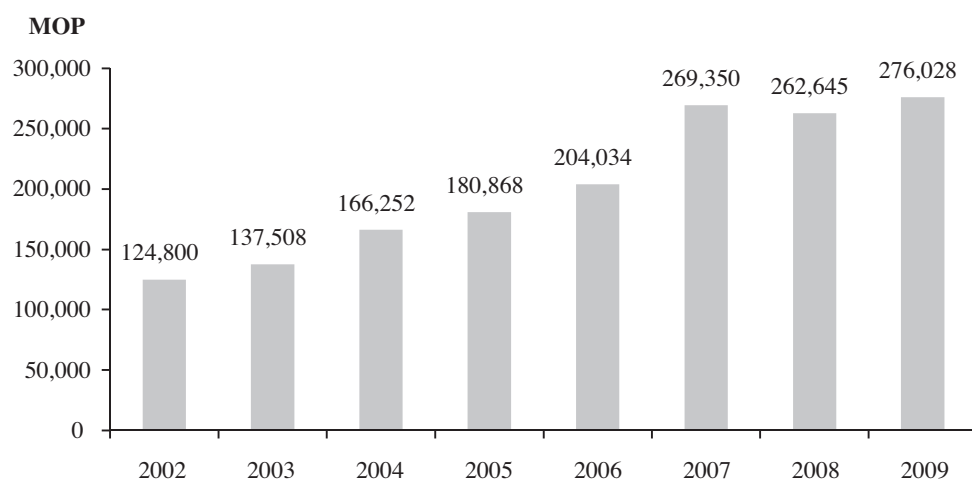
Source: Statistics and Census Department, Hong Kong SAR

INDUSTRY OVERVIEW

Macau

Macau's per capita gross national income more than doubled from MOP124,800 in 2002 to MOP 276,028 in 2009, representing a CAGR of 12.0%, due to the strong growth in gaming and tourism.

Per Capita Gross National Income (GNI) in Macau

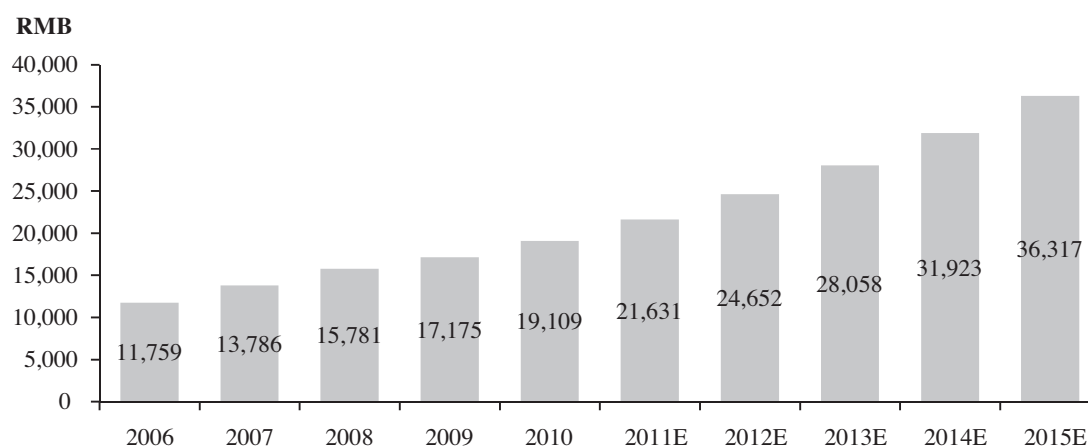


Source: *Statistics and Census Service, Macao SAR Government*

China

As a result of the rapid economic growth and urbanization in China, disposal income has also grown substantially. China's per capita disposable income of urban households grew from RMB11,759 in 2006 to RMB19,109 in 2010, representing a CAGR of 12.9%. According to Frost & Sullivan, China's per capita disposable income of urban households is projected to reach RMB36,317 in 2015, representing a CAGR of 13.7%. Disposable income is the most important factor to personal consumption, thus growing disposable income is expected to support domestic consumption. The chart below sets forth the per capita disposable income of urban households in China from 2006 to 2010 and the forecast from 2011 to 2015.

Per Capita Disposable Income of Urban Households of China



Source: *Frost & Sullivan Report*

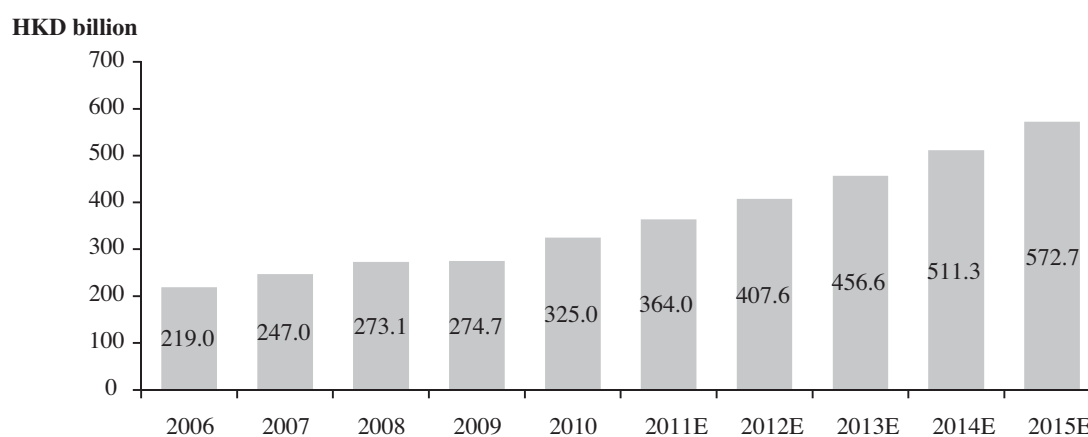
INDUSTRY OVERVIEW

The Retail Industry in Hong Kong, Macau and China

Hong Kong

Hong Kong's consumer retail market has maintained a stable growth as a result of China's strong economic growth and increased in consumer spending power due to the continued appreciation of Renminbi against the Hong Kong dollar. The total retail sales of consumer goods grew from HK\$219.0 billion in 2006 to HK\$325.0 billion in 2010, representing a CAGR of 10.4%. According to Frost & Sullivan, Hong Kong's retail sales of consumer goods is projected to reach HK\$572.7 billion in 2015, representing a CAGR of 12.0% from 2010 to 2015. The chart below sets forth the retail sales of consumer goods in Hong Kong from 2006 to 2010 and the forecast from 2011 to 2015.

Retail Sales of Consumer Goods in Hong Kong



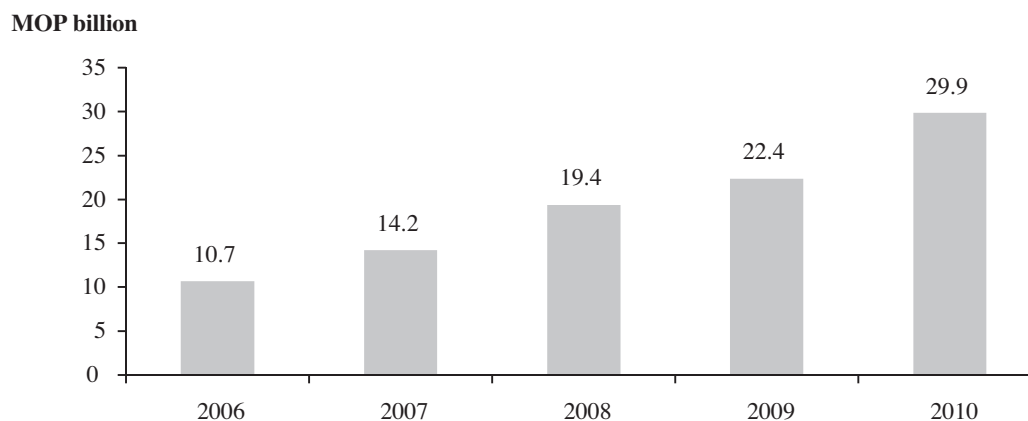
Source: Census and Statistics Department of Hong Kong SAR, Frost & Sullivan Report

INDUSTRY OVERVIEW

Macau

Macau's consumer retail market has grown significantly as a result of China's strong economic growth and increased in consumer spending power due to the continued appreciation of Renminbi. The total retail sales of consumer goods grew from MOP10.7 billion in 2006 to MOP29.9 billion in 2010, representing a CAGR of 29.4%. The chart below sets forth the retail sales of consumer goods in Macau from 2006 to 2010.

Retail Sales of Consumer Goods in Macau

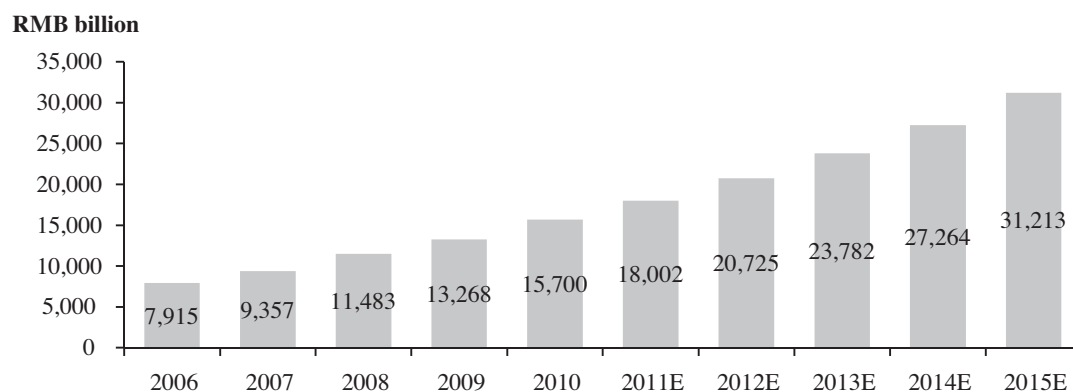


Source: *Statistics and Census Service, Macao SAR Government*

China

China's consumer retail market has grown rapidly as a result of its strong growth in GDP, urbanization, and disposal income of urban households in recent years. The total retail sales of consumer goods in China grew from RMB7,915 billion in 2006 to RMB15,700 billion in 2010, representing a CAGR of 18.7%. According to Frost & Sullivan, China's retail sales of consumer goods is projected to reach RMB31,213 billion in 2015, representing a CAGR of 14.7% from 2010 to 2015. The chart below sets forth the retail sales of consumer goods in China from 2006 to 2010 and the forecast from 2011 to 2015.

Retail Sales of Consumer Goods in China



Source: *Frost & Sullivan Report*

INDUSTRY OVERVIEW

Tourists and their spending in Hong Kong and Macau

Hong Kong

The number of tourists to Hong Kong grew at a CAGR of 9.3% from 2006 to 2010 as a result of the increasing number of tourists from China. Visitors from China grew at a CAGR of 13.7% over the same period due to ease of travel restrictions. Tourists from China accounted for 53.8% of the total number of tourists to Hong Kong in 2006 and accounted for 63.0% of the total number of tourists to Hong Kong in 2010, far more than the number of visitors from other areas. In addition to the substantial growth in the number of tourists from China, the spending power of these tourists has also increased over the same period. The per capita spending of Chinese tourists who stayed overnight was HK\$4,705 in 2006 and grew to HK\$7,453 in 2010, representing a CAGR of 12.2%.

Tourist Number by Country/Region

	2006	2007	2008	2009	2010
Mainland China	13,591,342	15,485,789	16,862,003	17,956,731	22,684,388
South and Southeast Asia.....	2,659,707	2,888,106	2,936,207	2,885,155	3,500,882
North Asia	2,029,869	2,200,567	2,229,117	1,823,184	2,207,642
Europe, Africa and the Middle East ..	1,916,861	2,189,424	2,094,039	1,968,781	2,174,199
Taiwan.....	2,177,232	2,238,731	2,240,481	2,009,644	2,164,750
the Americas.....	1,630,637	1,783,609	1,684,734	1,567,807	1,749,558
Macau.....	577,792	626,103	696,829	671,389	780,388
Australia, New Zealand and South Pacific	667,684	756,964	763,206	707,963	768,524
Total.....	25,251,124	28,169,293	29,506,616	29,590,654	36,030,331

Source: Census and Statistics Department, Hong Kong SAR

Per Capita Overnight Tourist Spending by Country/Region

	2006	2007	2008	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Mainland China	4,705	5,193	5,676	6,620	7,453
Australia, New Zealand and South Pacific	5,463	5,589	6,181	5,330	7,050
Europe, Africa and the Middle East ..	5,366	5,640	6,045	5,127	6,674
the Americas.....	5,505	5,744	5,760	4,914	6,476
South and Southeast Asia.....	4,550	4,773	4,744	4,460	5,251
Taiwan.....	5,329	5,015	5,126	5,117	5,197
North Asia	4,316	4,303	4,306	3,893	4,976
Macau.....	2,802	2,772	3,041	3,069	3,824
Total.....	38,036	39,029	40,879	38,530	46,901

Source: Census and Statistics Department, Hong Kong SAR

INDUSTRY OVERVIEW

Per Capita Overnight Tourist Spending by Category

	2006	2007	2008	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Jewellery and Watch	628	661	707	940	1,056
Garments/Fabrics	645	792	789	867	988
Leather/Synthetic Goods	336	459	543	697	794
Cosmetics & Skin Care/Perfume/ Personal Care	269	306	368	501	571
Electrical/Photographic Goods.....	408	403	363	298	351
Foodstuff, Alcohol and Tobacco	84	105	111	176	211
Other items	168	180	234	189	181
Total.....	2,538	2,905	3,116	3,667	4,150

Source: Hong Kong Tourism Board

Macau

The number of tourists to Macau grew at a CAGR of 3.2% from 2006 to 2010 where visitors from China accounted for 53.0% of the total number of tourists to Macau in 2010, far more than the number of visitors from other areas.

Tourist Number by Country/Region

	2006	2007	2008	2009	2010
Mainland China	11,985,617	14,866,391	17,500,469	10,989,533	13,229,058
Hong Kong	6,940,656	8,174,064	8,227,421	6,727,822	7,466,139
Other Asian countries.....	1,121,921	1,773,049	2,327,697	2,075,078	2,285,478
Taiwan	1,437,824	1,444,082	1,322,578	1,292,551	1,292,734
the Americas	219,610	306,294	325,876	278,661	297,137
Europe, Africa and the Middle East ..	208,272	295,009	312,122	253,891	267,308
Australia, New Zealand and South Pacific	84,222	134,106	169,577	135,215	127,557
Total.....	21,998,122	26,992,995	30,185,740	21,752,751	24,965,411

Source: Macau Government Tourist Office

INDUSTRY OVERVIEW

Per Capita Overnight Tourist Spending* by Country/Region

	2006	2007	2008	2009	2010
	MOP	MOP	MOP	MOP	MOP
Mainland China	4,744	4,355	4,706	4,164	3,367
Taiwan	2,216	2,232	2,303	2,754	2,078
Europe, Africa and the Middle East ..	1,403	1,540	1,928	2,390	2,039
Australia, New Zealand and South Pacific	1,740	2,417	1,808	2,236	2,005
Other Asian countries.....	1,895	1,904	2,214	2,272	1,989
the Americas	1,927	2,252	1,643	2,085	1,658
Hong Kong	1,243	1,403	1,493	1,644	1,345
Total.....	15,167	16,102	16,094	17,544	14,482

Source: Macau Government Tourist Office

* Excluded gambling expenses

Per Capita Overnight Tourist Spending by Category

	2006	2007	2008	2009	2010
	MOP	MOP	MOP	MOP	MOP
Clothing.....	205	146	196	196	269
Jewellery/Watches	166	145	132	118	266
Local Food Products	225	236	249	231	219
Shoes/Handbags/Wallets	76	84	126	128	169
Cosmetics/Perfume.....	93	80	97	88	123
Cellular Phones/Electrical Equipment	145	96	66	42	50
Others	26	30	31	32	31
Tobacco/Alcohol	57	41	37	22	21
Chinese Herbs/Medicine.....	22	20	16	10	13
Total.....	1,015	878	950	866	1,162

Source: Macau Government Tourist Office

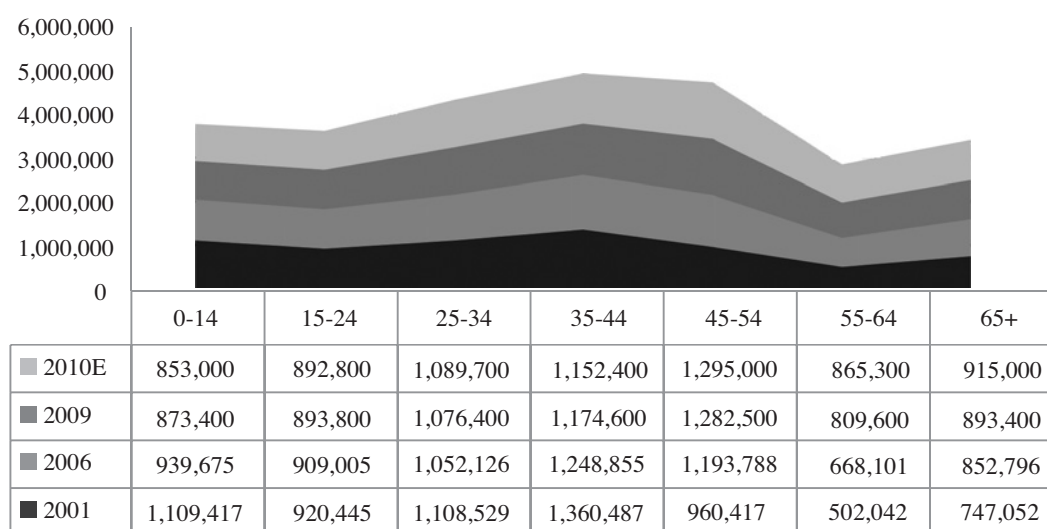
INDUSTRY OVERVIEW

Populations in Hong Kong, Macau and China

Hong Kong

According to Census and Statistics Department of Hong Kong SAR, Hong Kong had a total population of approximately 6.7 million in 2001 and grew to 7.1 million in 2010 representing a CAGR of 0.6%. The proportion of 0-24 year-old population shrank from 30.3% in 2001 to 24.7% in 2010 where the proportion of 45 year-old and above population grew from 32.9% in 2006 to 43.5% in 2010, showing an increase in the aging population.

Distribution of Population by Age Groups of Hong Kong



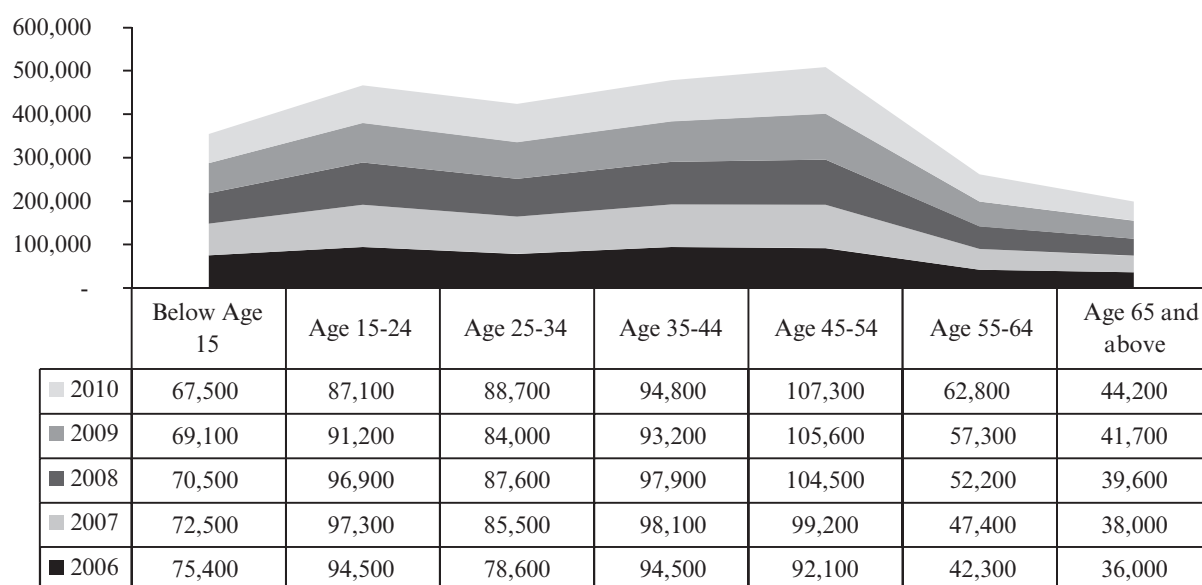
Source: Census and Statistics Department, Hong Kong SAR

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Macau

According to Statistics and Census Service of Macau, Macau had a total population of approximately 513,400 in 2006 and grew to 552,400 in 2010 representing a CAGR of 1.8%. The proportion of 0-24 year-old population shrank from 33.1% in 2006 to 28.0% in 2010 where the proportion of 45 year-old and above population grew from 33.2% in 2006 to 38.8% in 2010, showing an increase in the aging population.

Distribution of Population by Age Groups of Macau



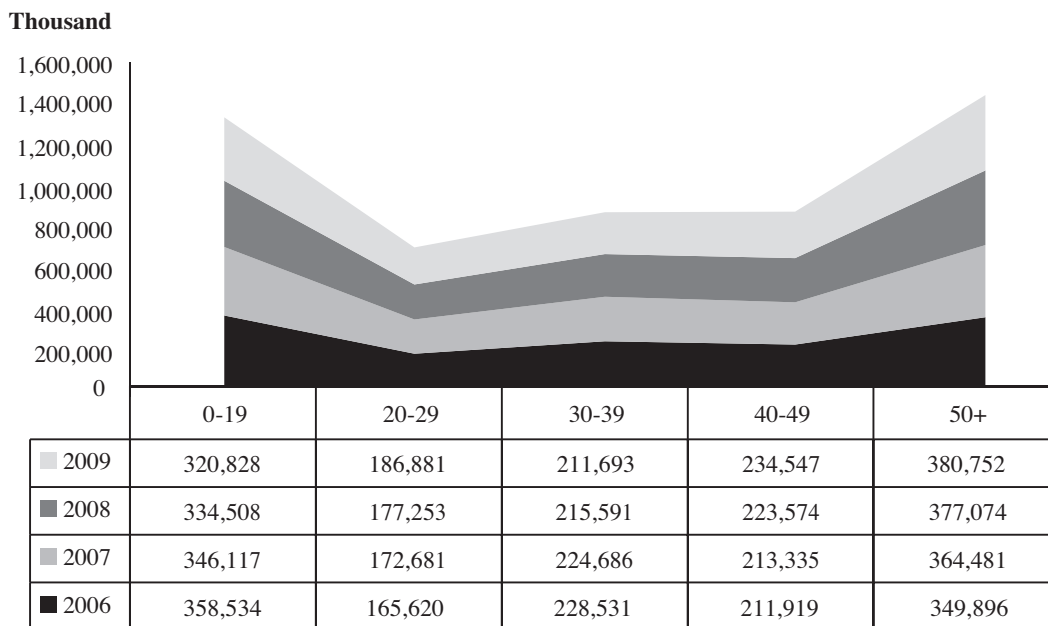
Source: Statistics and Census Service, Macao SAR

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China

According to National Bureau of Statistics of China, China had a total population of approximately 1.195 billion in 2006 and dropped slightly to 1.167 billion in 2009 representing a CAGR of -0.8%. The proportion of 0-19 year-old population shrank from 27.2% in 2006 to 24.0% in 2009 due to change in birth control where the proportion of 50 year-old and above population grew from 26.6% in 2006 to 28.5% in 2009, showing an increase in the aging population.

Distribution of Population by Age Groups of China



Source: National Bureau of Statistics of China

Overview of the “sub-healthy” population in China

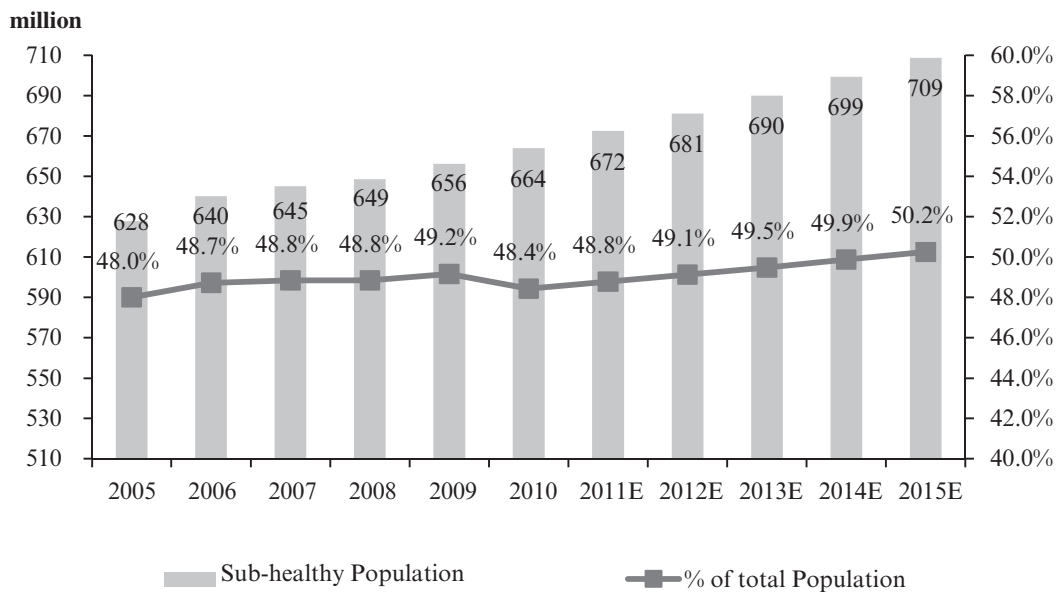
According to Frost & Sullivan, “sub-healthy” is a popular concept in China in recent years. The sub-healthy condition refers to a state at which the person experiences reduction in his or her vitality and adaptability although there is no actual disease or illness diagnosed. It is a state featuring physiological function deterioration between health and illness. According to Frost & Sullivan, the main factors that cause the increase in sub-healthy population include the followings:

- High pressure and long working hours
- Pollution in the surrounding environments
- Unhealthy living habits including lack of sleep, lack of physical exercises and poor and irregular diet
- Psychological problems such as passive resistance

INDUSTRY OVERVIEW

According to Frost & Sullivan, China had a total sub-healthy population of approximately 628 million in 2005 and grew to 664 million in 2010, representing a CAGR of 1.1% where the proportion of sub-healthy population as percentage of total population grew from 48.0% in 2005 to 48.4% in 2010. According to Frost & Sullivan, the total sub-healthy population is expected to reach 709 million in 2015 where the proportion of sub-healthy population as percentage of total population is expected to grow from 48.4% in 2010 to 50.2% in 2015. The chart below sets forth the sub-healthy population growth trend in China from 2005 to 2010 and the forecast from 2011 to 2015.

Total Sub-Healthy Population in China



Source: Frost & Sullivan Report

In recent years, the sub-healthy condition has surfaced as a new killer of human lives in China, according to Frost & Sullivan. As a result, sub-healthy condition is considered as a key driver to stimulate the demand for health and wellness equipments because people believe that they can improve their health conditions and gradually get out of the “sub-healthy” condition through the use of health and wellness equipments.

INDUSTRY OVERVIEW

HEALTH AND WELLNESS EQUIPMENT MARKET IN HONG KONG AND CHINA

Overview of Health and Wellness Equipment

According to Frost & Sullivan, health and wellness equipment can be divided into four categories of products, namely relaxation products, fitness products, diagnostic products and therapeutic products.

Relaxation products are defined as automatic massage devices used for whole body or partial body relaxation, which consist of massage chairs, neck and shoulder massagers, foot massagers, portable massagers, and other partial body massage equipments.

Fitness products are defined as devices used in any given physical activity for shaping muscle groups for specific areas of the body, which consist of treadmills, slimming belts, exercise bikes, vibration plates, rowing machines, and cross trainers, but exclude all commercial fitness equipments.

Diagnostic products are defined as basic level home diagnostic equipments which consist of digital blood pressure monitors, digital thermometers, and fat and water monitors.

Therapeutic products are defined as electronic TCM (Traditional Chinese Medicine) therapeutic devices which consist of electronic pulse stimulators.

Health and Wellness Equipment Market in Hong Kong and China

Hong Kong

According to Frost & Sullivan, the total sales revenue of health and wellness equipment market in Hong Kong grew from HK\$622 million in 2006 to HK\$876 million in 2010, representing a CAGR of 8.9%. Frost & Sullivan estimates that the total sales revenue of this market will grow at a CAGR of 10.2% from 2010 to 2015 and reach HK\$1,422 million in 2015 due to the following factors:

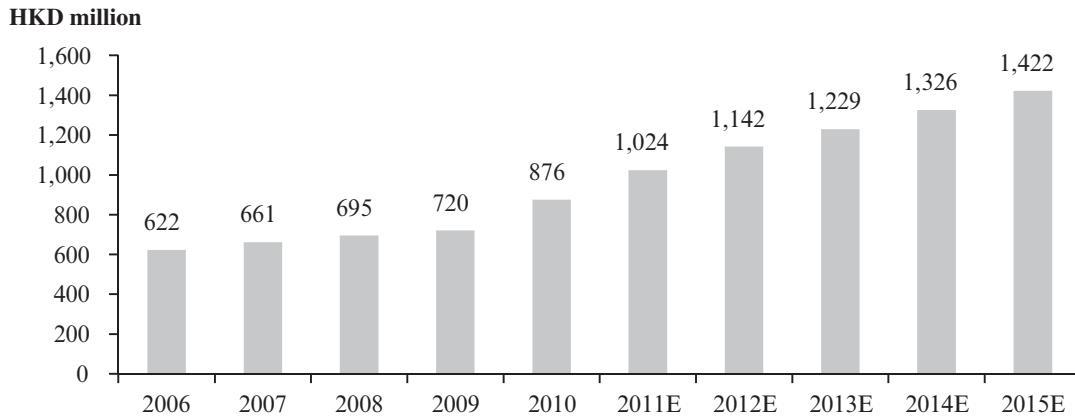
Large aging population: People aged 50 and older are the major customers of health and wellness products and as the proportion of 45 year-old and above population grew from 32.9% in 2006 to 43.5% in 2010 in Hong Kong, the demand for health and wellness products is expected to stay at a high level.

Increasing consumption power from Chinese tourists: One unique aspect in Hong Kong is that Chinese tourists contribute greatly to retail sales, including the purchase of health and wellness products.

INDUSTRY OVERVIEW

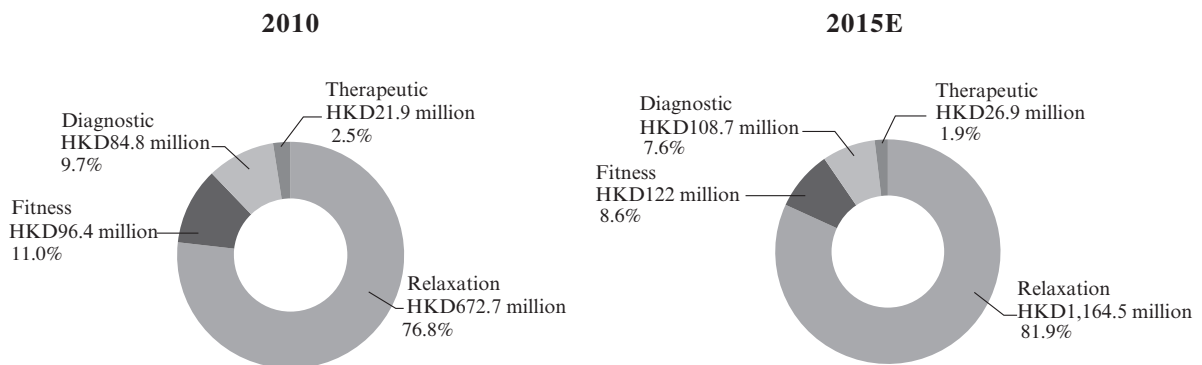
Increasing demand for gifting purpose: In Hong Kong, health and wellness products are widely purchased for gifting purpose where young people often purchase health and wellness products for their parents. Such demand increased rapidly in recent years and will continue to grow.

The Health and Wellness Equipment Market in Hong Kong



Source: Frost & Sullivan Report

The Health and Wellness Equipment Market by Category in Hong Kong



Source: Frost & Sullivan Report

Relaxation is the biggest product category in the total health and wellness equipment market in Hong Kong, contributed HK\$672.7 million or 76.8% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 11.6% and reach HK\$1,164.5 million or 81.9% market share in 2015 due to people's high pressure from work and increased awareness to the sub-healthy concept in recent years.

Fitness is the second largest product category in the total health and wellness equipment market in Hong Kong, contributed HK\$96.4 million or 11.0% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 4.9% and reach HK\$122.4 million or 8.6% market share in 2015. The low growth rate is attributable to competition from commercial fitness centers where they provide more advanced products along with personal training services.

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Diagnostic is the third largest product category in the total health and wellness equipment market in Hong Kong, contributed HK\$84.8 million or 9.7% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 5.1% and reach HK\$108.7 million or 7.6% market share in 2015. The low growth rate is attributable to stable population and economic growth where many people already own diagnostic products, partially offset by increasing hypertension incidence rate due to heavy workload and changes in lifestyles.

Therapeutic is the smallest product category in the total health and wellness equipment market in Hong Kong, contributed HK\$21.9 million or 2.5% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 4.2% and reach HK\$26.9 million or 1.9% market share in 2015. The low growth rate is attributable to lack of awareness in this product category where people are not certain on the effectiveness of using such products.

China

According to the Frost & Sullivan, the total sales revenue of health and wellness equipment market in China grew from RMB6.7 billion in 2006 to RMB12.4 billion in 2010, representing a CAGR of 16.6%. Frost & Sullivan estimates that the total sales revenue of this market will grow at a CAGR of 18.3% from 2010 to 2015 and reach RMB28.7 billion in 2015 due to the following factors:

Aging population: People aged 50 and older are the major customers of health and wellness products and as the proportion of 50 year-old and above population grew from 26.6% in 2006 to 28.5% in 2010 in China, the demand for health and wellness products is expected to stay at a high level.

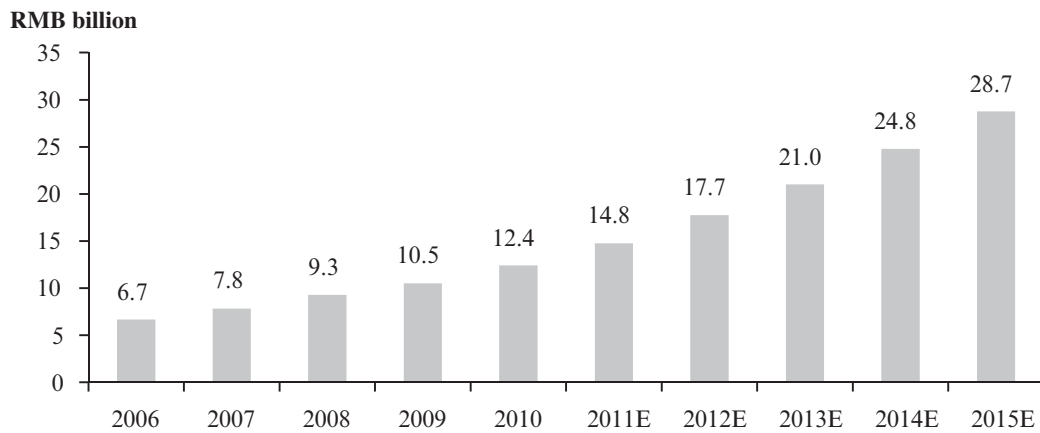
Increasing disposable income: Due to China's continued economic growth and growth in urbanization, disposable income of urban households will continue to increase where people can afford more household electronic products.

Increasing awareness to sub-healthy concept: People's awareness to sub-healthy condition increased rapidly in the past few years, which will drive the demand for health and wellness products.

Increasing demand for gifting purpose: In China, health and wellness products are widely purchased for gifting purpose where young people often purchase health and wellness products for their parents. Such demand increased rapidly in recent years and will continue to grow.

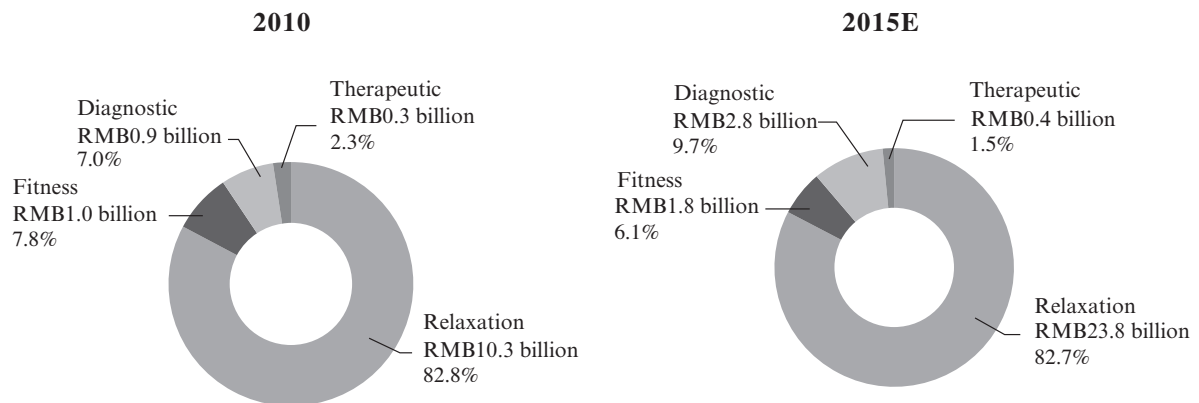
INDUSTRY OVERVIEW

Total Health and Wellness Equipment Market in China



Source: Frost & Sullivan Report

The Health and Wellness Equipment Market by Category in China



Source: Frost & Sullivan Report

Relaxation, similar to the Hong Kong market, is the biggest product category in the total health and wellness equipment market in China, contributed RMB10.3 billion or 82.8% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 18.3% and reach RMB23.8 billion or 82.7% market share in 2015 due to expected increase in total sales units which is attributable to more affordable prices.

Fitness is the second largest product category in the total health and wellness equipment market in China, contributed RMB1.0 billion or 7.8% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 12.6% and reach RMB1.8 billion or 6.1% market share in 2015. The shrink in market share is attributable to competition from commercial fitness centers where they provide more advanced products along with personal training services.

INDUSTRY OVERVIEW

Diagnostic is the third largest product category in the total health and wellness equipment market in China, contributed RMB0.9 billion or 7.0% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 26.2% and reach RMB2.8 billion or 9.7% market share in 2015. The high growth rate is attributable to high incidence rate of hypertension due to life style changes and heavy workload as well as increasing awareness of hypertension and diabetes as health concerns as a result of changes in government policy.

Therapeutic is the smallest product category in the total health and wellness equipment market in China, contributed RMB0.3 billion or 2.3% of total sales revenue in 2010. Frost & Sullivan estimates that this category will grow at a CAGR of 8.8% and reach RMB0.4 billion or 1.5% market share in 2015. The low growth rate is attributable to lack of awareness in this product category where people are not certain on the effectiveness of using such products.

Relaxation Equipment Market in Hong Kong

In 2010, OTO ranked number one in the relaxation equipment market in terms of units sold with a market share of 65.0% in Hong Kong. In terms of sales revenue, OTO is ranked number two with a market share of 28.3%. The top two brands accounted for more than 85.0% of the relaxation equipment market in Hong Kong in terms of both units sold and sales revenue.

In terms of segmentation, partial body massage equipment sales contributed approximately 34.7% in 2010 while massage chair sales contributed the remaining 65.3% of the relaxation equipment market in Hong Kong due to massage chair's higher average selling price.

Relaxation Equipment Market in Hong Kong by Units Sold, 2010

Rank	Brand	Units Sold	Market Share (%)
1	OTO	134,200	65.0
2	OSIM	56,500	27.4
3	OGAWA	5,850	2.8
4	Panasonic	4,800	2.3
5	Sanyo.....	75	0.0
6	Others	5,150	2.5
	Total.....	206,075	100.0

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Relaxation Equipment Market in Hong Kong by Sales, 2010

Rank	Brand	Sales (HK\$m)	Market Share (%)
1	OSIM	397.7	59.1
2	OTO	190.1	28.3
3	Panasonic	40.5	6.0
4	OGAWA	32.9	4.9
5	Sanyo	1.8	0.3
6	Others	9.7	1.4
	Total	672.7	100.0

Source: Frost & Sullivan Report

Partial Body Massage Equipment Market in Hong Kong

In 2010, OTO ranked number one in the partial body massage equipment market in terms of units sold with a market share of 72.2% and in terms of sales revenue with a market share of 60.7% in Hong Kong where the top two brands accounted for more than 90.0% of the total market.

Partial Body Massage Equipment Market in Hong Kong by Units Sold, 2010

Rank	Brand	Units Sold	Market Share (%)
1	OTO	129,400	72.2
2	OSIM.....	38,000	21.2
3	OGAWA.....	3,600	2.0
4	Panasonic.....	3,450	1.9
5	Others	4,800	2.7
	Total	179,250	100.0

Source: Frost & Sullivan Report

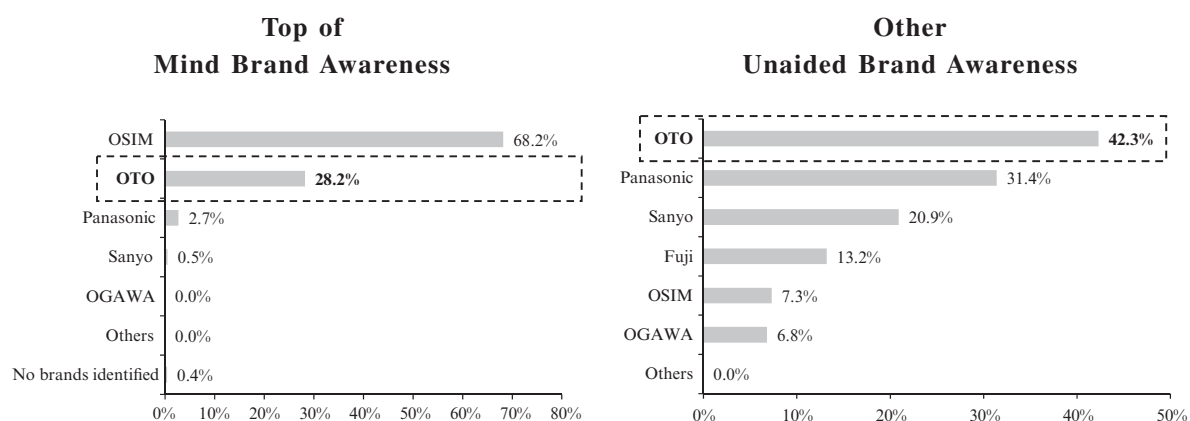
INDUSTRY OVERVIEW

Partial Body Massage Equipment Market in Hong Kong by Sales, 2010

Rank	Brand	Sales (HK\$m)	Market Share (%)
1	OTO	141.7	60.7
2	OSIM	72.5	31.1
3	Panasonic	7.7	3.3
4	OGAWA	5.5	2.4
5	Others	5.9	2.5
	Total	233.3	100.0

Source: Frost & Sullivan Report

Brand Awareness of Partial Body Massage Equipments in Hong Kong



Note: "Top of Mind Brand Awareness" is defined as awareness of brands mentioned first when being asked of partial body massage equipments and "Other Unaided Brand Awareness" is defined as awareness of all the other brands mentioned after the mentioning of the first brand when being asked of partial body massage equipments.

Source: Frost & Sullivan Report

Massage Chair Market in Hong Kong

In 2010, OTO ranked number two in the massage chair market in terms of units sold with a market share of 17.6% and in terms of sales revenue with a market share of 11.0% in Hong Kong where the top two brands accounted for more than 85.0% of the total market.

INDUSTRY OVERVIEW

Massage Chair Market in Hong Kong by Units Sold, 2010

Rank	Brand	Units Sold	Market Share (%)
1	OSIM	18,500	67.7
2	OTO	4,800	17.6
3	OGAWA.....	2,250	8.2
4	Panasonic	1,350	4.9
5	Sanyo	75	0.3
6	Others	350	1.3
	Total	27,325	100.0

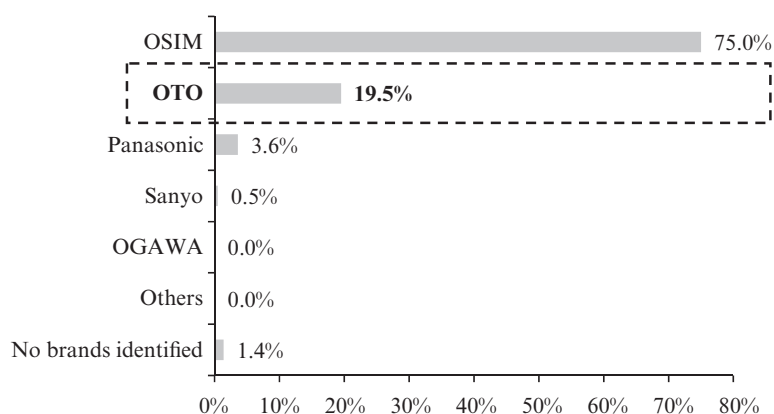
Source: Frost & Sullivan Report

Massager Chair Market in Hong Kong by Sales, 2010

Rank	Brand	Sales (HK\$m)	Market Share (%)
1	OSIM	325.2	74.0
2	OTO	48.3	11.0
3	Panasonic	32.8	7.5
4	OGAWA	27.4	6.2
5	Sanyo	1.8	0.4
6	Others	3.9	0.9
	Total	439.4	100.0

Source: Frost & Sullivan Report

Brand Awareness of Massage Chairs in Hong Kong



Note: Brand awareness is defined as awareness of brands mentioned first when being asked of massage chairs

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Report prepared by Frost & Sullivan

We engaged Frost & Sullivan, an independent marketing and consulting agency founded in 1961, to conduct research and prepare a report on the health and wellness equipment market in Hong Kong and China. Frost & Sullivan currently has more than 40 global offices and 1,800 industry consultants. We paid Frost & Sullivan a total of RMB660,000 in fees for its research and report. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates the understanding of this market for potential investors.

In Hong Kong, the methodology used by Frost & Sullivan in this report involved conducting both primary and secondary research obtained from numerous sources within the health and wellness equipment market in Hong Kong. The primary research was conducted through face-to-face interviews. The primary research involved two phases: phase one involved demand-side end-users answering a number of quantitative questions followed by an interactive qualitative session to map brand perceptions; phase two involved supply-side interviews with retailers and manufacturers of health and wellness equipment products. Supply-side interviews were used as a cross-checking mechanism to verify the accuracy of market share and revenue figures that were not contained in publicly available company reports. Secondary research was conducted through review of company reports and independent research reports.

For purposes of calculating the market positions of the Company's massage chairs and partial body massage equipment sales in Hong Kong, in determining the Company's revenue from massage chairs and partial body massage equipment, Frost & Sullivan had used the retail prices of such products sold to ultimate end-users and consumers. Such retail prices are different from the selling prices of the products sold to the Company's customers (i.e., distributors), which is the basis for calculating the Company's revenue presented in the section headed "Financial Information."

The Frost & Sullivan Report adopted certain commonly used assumptions and parameters in the industry research, including GDP growth, population growth, regulation regarding product safety and growth of expenditure on the general population. The research results may be affected by the accuracy of these assumptions and the choice of these parameters.

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

HONG KONG LAWS AND REGULATIONS

HONG KONG TAXATION

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale of Shares registered on the Hong Kong branch register of members. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.00. Where a sale or purchase of Shares registered on the Hong Kong branch register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon and the transferee shall be liable to pay such duty.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are arising in or derived from Hong Kong, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15.0%. Gains from sales of the Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Dividends

Under the current practice of the Inland Revenue Department, no profits tax is payable in Hong Kong in respect of dividends paid by us.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of the persons whose death occur on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

HONG KONG LEGAL ISSUES

There is no comprehensive legislation in Hong Kong governing product liability and consumer protection as in some jurisdictions. The law in this area comprises of legislation and case law, on both civil and criminal aspects. Our Directors confirm that we and/or our products have complied with the requirements of the said laws and regulations in Hong Kong set out below.

Consumer Goods Safety Ordinance

There are several pieces of legislation dealing with product safety requirements, the most common one being the Consumer Goods Safety Ordinance (Cap.456) (the “CGS Ordinance”). Under the CGS Ordinance, all consumer goods (except those listed in the Schedule of the CGS Ordinance) must comply with the general safety requirements or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong.

The CGS Ordinance imposes a statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods they supply are reasonably safe, having regard to all the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means to make the consumer goods safer. The CGS Ordinance also provides a due diligence defence.

Any person who sells unsafe goods commits an offence and is liable to a fine of HK\$100,000 and an imprisonment of one year on first conviction, and HK\$500,000 and 2-year imprisonment on subsequent conviction. Those unsafe goods may be seized by the Customs and Excise Department and other authorised officers.

Electricity Products (Safety) Regulation

The Electricity Products (Safety) Regulation (Cap. 406G of the Laws of Hong Kong) (the “EP Safety Regulation”) is made under Section 59 of the Electricity Ordinance (Cap. 406 of the Laws of Hong Kong). It sets out the essential safety requirements for electrical products (of particular voltages as prescribed under such Ordinance) designed for household use and supplied in Hong Kong. Some of our Group’s products therefore fall under the purview of the EP Safety Regulation.

The main purpose of the EP Safety Regulation is to ensure electrical safety. Under the EP Safety Regulation, persons supplying electrical products which are designed for household use and supplied in Hong Kong have to ensure that their electrical products comply with the applicable safety requirements specified in them. These persons include manufacturers, importers, wholesalers and retailers. The suppliers are also obliged to ensure that a “certificate of safety compliance” as stipulated under the EP Safety Regulation has been issued for each model of their electrical products supplied.

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

In general, a certificate or test report issued by a “recognized certification body” (which is stipulated under the EP Safety Regulation) or a declaration of conformity issued by a “recognized manufacturer” or (in some cases) by the product manufacturer will be accepted as a certificate of safety compliance.

Any person who supplies an electrical product in Hong Kong which fails to comply with the applicable safety requirements specified in the EP Safety Regulation commits an offence and is liable to a fine of HK\$100,000 and an imprisonment of one year on first conviction, and HK\$500,000 and 2-year imprisonment on subsequent conviction. Those unsafe goods may be seized by the Customs and Excise Department and other authorised officers.

Contractual Obligations and the Sale of Goods Ordinance

In Hong Kong, contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The safety and suitability requirements of the goods supplied are often treated as an implied term of the sale contract; and that ordinance governs the meaning of certain implied terms or conditions and warranties. The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the effectiveness of any terms in the contract which seeks to avoid liability for breach of contract, negligence or other types of breaches of duty. Both of these statutes seek to supplement the common law position and provide further protection to consumers or users as contracting parties.

Tortious Obligations

Besides contractual duties, there may also be duties of care owed by suppliers of goods under the common law and in particular, under the law of negligence. For example, there is a duty of care owed by the manufacturer, importer and supplier of products and that duty is owed to consumers of such products. If a manufacturer, importer or supplier discovers or has reasons to believe that his product may be unsafe, he may have to cease to supply the product in its unsafe form, and to give proper warning and instructions to persons to whom the product is supplied. Where the risk of injury is high, the required standard of care will also be high. Any person who undertakes to design, import, supply or install a product, and who negligently performs his work and causes damage to other person or property, will be liable as a result. Some products may carry inevitable risk upon use. A dangerous product can be safe if sufficient precaution is taken in handling or use. The duty on the supplier is to provide proper labelling, and adequate and clear instructions for handling and use of the product so as to warn the users of their products against a foreseeable danger.

Labelling

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

Medical Device Administrative Control System

Some of our Group's products (such as blood-pressure monitors) may fall under the definition of "medical device" under the Medical Device Administrative Control System ("MDAC System") administered in Hong Kong.

The MDAC System was first introduced in Hong Kong in November 2004 by the Hong Kong Government, having regard to the recommendations set out in the Consultation Document entitled "Regulation of Medical Devices" dated July 2003. As mentioned in that Consultation Document, pending the enactment of legislation, an administrative control system would be first implemented to facilitate the transition to the long-term statutory control. Currently, there is no specific legislation in Hong Kong to regulate the importation or sale of medical devices in Hong Kong except those containing pharmaceutical products or emitting ionizing radiation. The MDAC System is managed by the Medical Device Control Office in the Department of Health.

The MDAC System features both a listing system (under which manufacturers and importers of medical devices (except for those of very low risk as classified under the system) may voluntarily list their products with the Department of Health), and an adverse incident reporting system (through which the recurrence of adverse incidents could be prevented). The goal of the MDAC System includes raising public's awareness of the use of safe medical devices through the listing of medical devices and monitoring of adverse incidents.

As the listing of medical devices is voluntary, our Group has not made any application for the listing in the MDAC System of our products which fall under the category of medical devices.

Laws and regulations in relation to advertising

Hong Kong does not have a piece of comprehensive legislation to regulate advertising practice. There are a number of ordinances and regulations regulating the advertising and promotion of products and services, the breach of some of these applicable laws and regulations may result in criminal offences. The relevant legislations include the Trade Description Ordinance (Cap. 362 of the Laws of Hong Kong). Under this Ordinance, it is a criminal offence to apply a false trade description to any goods or supply goods with false trade descriptions. False and misleading trade descriptions of products used in advertisements are also prohibited. The Undesirable Medical Advertisement Ordinances (Cap. 231 of the Laws of Hong Kong) prohibits the publication of any advertisements likely to lead to the use of any medicine or surgical appliance for the treatment of certain diseases or conditions or for certain purposes.

In Hong Kong, comparative advertising where one compares the product price or service fee using a registered mark of another party, for example, a competitor, may infringe the Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong) unless it falls within the exception of section 21(1) of the Trade Marks Ordinance if such use is in accordance with honest practices in industrial or commercial matters.

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

Under the Broadcasting Authority Ordinance (Cap. 391 of the Laws of Hong Kong) and the Broadcasting Ordinance (Cap. 562 of the Laws of Hong Kong), the Broadcasting Authority may issue codes of practice to regulate standards relating to programmes and advertisements. The Broadcasting Authority has issued various codes of practice including the Generic Code of Practice on Television Advertising Standards. The underlying principle for these codes is that all advertisements should be clean, honest and truthful and may not contain any descriptions or claims which expressly or by implication depart from truth or mislead the product or service advertised or about the suitability for the purpose recommended. The responsibility lies with the broadcaster to ensure that these codes are observed.

Under the Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong), one of the Consumer Council's functions is to protect and promote good practices in the dissemination of consumer information, which include protecting consumers from untruthful claims in advertisements. The Consumer Council published various guidelines including the Consumer Council Good Corporate Citizen's Guide in March 2005 and Good Corporate Citizen's Guide II in October 2006. The underlying principle for these guidelines serves to remind enterprises of the need to ensure that their promotional materials and advertisements are truthful, unbiased and sensible, without any misleading elements, and in compliance with the requirements stipulated in the related legislations or rules, allowing consumers to make informed decisions when making purchases.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to product liability

The Commercial Code of Macau states that "A producer commercial entrepreneur is liable, regardless of fault, for damage caused to third parties by the defects of products that he puts in circulation". Our Group may be considered as a "producer commercial entrepreneur" as a "producer", which includes "anyone who, in the exercise of his enterprise, imports products for sale, lease, financial lease or another form of distribution". A product is considered "defective" if, "at the moment of its entry into circulation, it does not offer the safety that legitimately is to be expected". The customer shall have right to claim for compensation resulting from the defective products provided that such defective products are "normally destined to private use or consumption and that the injured party has mainly given them such destination".

Laws and regulations in relation to labour related matters

The legal regime in relation to labour matters in Macau is mainly based on the following legislations:

14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases);

22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

18th of February — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);

27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights);

2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion);

14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work);

18th of August — Law No. 7/2008 (Labour Relation Law);

15th of October — Law No. 21/2009 (Law of Hiring non residents workers);

23rd of August — Law No. 4/2010 (social security regime);

The legal regime of labour matters in Macau is developed based on 27th of July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labour legislations in different aspects.

In addition to the above-mentioned legislations, 18th of August — Law No. 7/2008 (Labour Relation Law) plays an important role in the labour legal regime which has become effective since 1 January 2009 and has replaced the “old labour law” — 3rd of April 1989 — Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, except those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be waived by mutual agreement. All the working conditions of labour relations should not be worse than the basic conditions stipulated in such law.

As an employer, our Group shall comply with the conditions required under 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees, failing which fine and cautious measures will be imposed on us according to 18th of February 1991 — Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Pursuant to the statutory requirements stipulated under 23rd of August — Law No. 4/2010 (social security regime) and 4th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), our Group is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with relevant applicable legislations, failing which an administrative fine will be imposed on us as legal sanction.

All employees of our Group in Macau are required to be Macau residents, non-permanent or permanent, or holders of working permits in case of foreign workers. Hiring of non-resident workers by us shall comply with the 15th of October — Law No.21/2009 (Law of Hiring non-resident workers)

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

to obtain the working permits for foreign workers. Except for certain limited situations stated under 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) workers other than Macau residents or holders of working permits will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金), the Human Resources office of Macau (澳門人力資源辦公室) and Monetary Authority of Macau (澳門金融管理局), respectively.

Laws and regulations in relation to taxation

Under the laws of Macau, industrial tax and profit tax are applicable to our Group. We shall declare the annual profits of last year to the Macau Finance Department on February or March and the Macau Finance Department will assess the profit tax payable by us accordingly. Under the law no. 21/78/M (Profit Tax), and the Budget law of year 2008 to 2010, the profits tax of the first MOP\$200,000.00 of a company is exempted and the balance will be calculated by the rate from 9% to 12% progressively from year 2008 to 2010.

The industrial tax is fixed and calculated according to the business nature of a company. However, all the industrial tax is exempted by the Macau Government in year 2010 and year 2011. Macau Government will decide whether the exemption will be continued through the Budget law of the next year.

None of the dividends or distributions is subject to withholding or other taxes and is otherwise free and clear of any other tax. Our Group is not required to make any withholding or deduction for or on account of the declaration and payment of any dividend and/or other distributions (whether in cash or in kind) by it.

Laws and regulations in relation to advertising

The laws on advertising are mainly regulated under the Law no. 7/89/M of Macau. According to the aforesaid law, all the advertisements shall be lawful, identifiable and true, in compliance with the principle of protecting consumers and fair competition. In addition, the advertisement of certain products or services, such as vehicle, medicine, building and travelling, shall also be under control and comply with special regulations. Besides, license shall be obtained from Macau governmental authorities for the installation of advertisement, failing which, fine will be imposed on the company and advertiser concerned. The company and advertiser concerned shall bear the criminal and civil liabilities arising from and/or in connection with the irregular advertisements at the same time.

APPLICABLE LAWS AND REGULATIONS IN HONG KONG, MACAU AND CHINA

THE PRC LAWS AND REGULATIONS

Policies in relation to wholesale of health and wellness products with foreign investment

OTO Shanghai is engaged in the business of wholesale of health and wellness products in China.

According to the guidance on the industry with foreign investment in the PRC, which can be found in the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) which was jointly issued by the National Development and Reform Commission and the Ministry of Commerce (the “MOFCOM”) on 31 October 2007 and has been promulgated and implemented from time to time, the business operations which OTO Shanghai is engaged in have not been listed as a business which belongs to the encouraged, prohibited, restricted industry categories. Under this Catalogue, business operations which OTO Shanghai is engaged in belong to the category of permitted industry with foreign investment.

Laws and Regulations in relation to Foreign Invested Commercial Enterprises

OTO Shanghai engages in wholesale of health and wellness products in China and is therefore subject to the Chinese laws and regulations in relation to foreign invested commercial enterprises.

The MOFCOM issued the Measures on the Administration of Foreign Investment in Commercial Sector (《外商投資商業領域管理辦法》) (the “Measures”), on 16 April 2004, which regulates foreign investment in commercial sectors such as wholesale, retail, commission agency and franchising. The Measures permit foreign investors to engage in the operation of distribution services on a wholly-owned basis from 11 December 2004. According to the Measures, a foreign invested commercial enterprise must meet the following conditions: (i) its minimum registered capital must comply with the requirements of the PRC Company Law (RMB30,000 for limited liability companies with two or more investors and RMB100,000 for limited liability companies with a single investor); (ii) it must comply with the normal total investment and registered capital requirements for foreign invested enterprises; and (iii) in general, its term of operation may not exceed 30 years, or 40 years in the central and western region of the PRC.

The MOFCOM delegated its approval authority for the foreign invested commercial enterprises to its provincial counterparts in September 2008 and August 2010, and now unless the business of the foreign invested commercial enterprises relates to the sale of goods via television, telephone, mail order, wholesale of audio and video products, or sale of books, newspapers and journals, the approval for establishment of the foreign invested commercial enterprises and engaging in retail business and opening of stores by them shall be granted by the provincial counterparts of the MOFCOM.

Laws and Regulations in relation to Imports

Some of our products are imported into the PRC from overseas and we are therefore subject to the Chinese laws and regulations in relation to imports. The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated on 12 May 1994 and amended on 6 April 2004 by the Standing Committee of the National People’s Congress to develop foreign trade in areas such as the import and export of goods, technology and international service, and to maintain order in foreign

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trade and promote the advancement of China's economy. The Foreign Trade Law requires enterprises engaged in foreign trade to register with the relevant authorities in charge of foreign trade under the State Council and obtain permissions for their foreign trade operations, if necessary. In addition, the Foreign Trade Law addresses such issues as intellectual property infringement, unfair competition, tax evasion and civil and criminal liabilities for violations of the foreign trade orders.

The Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》) was promulgated by the Standing Committee of the National People's Congress on 21 February 1989 and amended on 28 April 2002, and the Regulations for the Implementation of the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》) were promulgated by the State Council on 31 August 2005 and came into force on 1 December 2005. The main objectives of this law and its implementation regulations are to strengthen the inspection of, and ensure the quality of, import and export commodities to protect the lawful rights and interests of the parties involved in foreign trade, and to promote the development of China's economic and trade relations with foreign countries.

Laws and Regulations in relation to Product Liability and Consumers Protection

Product liability may arise if the products sold have any harmful effect on the consumers. The injured party may claim for damages or compensation. The General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), which became effective on 1 January 1987 and was amended on 27 August 2009, state that the manufacturers and sellers of defective products causing property damage and personal injury shall incur civil liabilities for such damage or injuries.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) was enacted in 1993 and amended in 2000 to strengthen the quality control of products and protect consumers' rights and interests. Under this law, manufacturers and retailers who produce or sell defective products may be subject to the confiscation of earnings from such sales, revocation of business licenses and imposition of fines, and in severe circumstances, may be subject to criminal liabilities.

The Law of the PRC on Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 and became effective on 1 January 1994 to protect consumers' rights when they purchase or use goods or services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to consumers.

Tort Law of the PRC (《中華人民共和國侵權責任法》) was promulgated and came into force on 1 July 2010 to clarify the tort liability and prevent and punish tortious conduct. Under this law, in the event of damage arising from a defective product, the infringer may seek compensation from either the manufacturer or seller of such product, and where such product with any defect caused by the fault of the seller the manufacturer shall be entitled to seek reimbursement from the seller upon compensation.

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) adopted in 1982 and amended in 1993 and 2001. The PRC Trademark Office of the SAIC is

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responsible for the registration and administration of trademarks throughout China. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained “sufficient degree of reputation” through that person’s use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Any person may, within three months after such public announcement, file an opposition against a trademark that has passed a preliminary examination. The PRC Trademark Office’s decisions on rejection, opposition or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked.

Laws and Regulations in relation to Taxation

Enterprise Income Tax

The key taxes applicable to the companies in the PRC are enterprises income tax and value added tax.

The new EIT Law of the PRC (《中華人民共和國企業所得稅法》) and Implementation Rules for the New EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both of which were adopted on 16 March 2007 and became effective on 1 January 2008, impose a uniform enterprise income tax rate of 25% on enterprises, both domestic and with foreign investment. A resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the territory of the PRC. If an organization or establishment is set up by a non-resident enterprise in the PRC, it is subject to enterprise income tax for the income derived from such organization or establishment in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, its income derived in the PRC will be subject to enterprise income tax.

The enterprise income tax shall be levied at the rate of 25%. A non-resident enterprise without a permanent establishment in the PRC or such non-resident enterprise which has set up a permanent establishment in the PRC but its earning income is not connected with the abovementioned permanent establishment will be subject to tax on their PRC-sourced income. The income shall be taxed at the reduced rate of 10%.

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However, for foreign-invested enterprises from countries or regions that have signed bilateral tax agreements with China, the withholding rate may be reduced to as low as 5% depending on the terms of the applicable tax treaty. According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), effective from 8 December 2006 and issued by the State Administration of Taxation (國家稅務總局), the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% if the Hong Kong enterprise directly owns at least 25% of the PRC enterprise; otherwise, the dividend withholding tax rate is 10%.

Further, pursuant to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》) (國稅發[2009]124號), which became effective on 1 October 2009, the preferential tax rate under the relevant tax treaties does not automatically apply. Approvals from or filing at the competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant taxation treaties.

In addition, in accordance with the Notice of the State Administration of Taxation on How to Understand and Determine the “Beneficial Owners” in the Relevant Taxation Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》) (國稅函[2009]601號) issued by the State Administration of Taxation on 27 October 2009, the PRC tax authorities must evaluate whether an applicant (income recipient) can be qualified as a “beneficial owner” under the relevant taxation treaties on a case-by-case basis, and, in conducting such evaluation, the taxation authorities must examine the substance rather than the form of the relevant case.

The Notice of the SAT on Issues Relating to the Administration of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (國稅函[2009]81號) promulgated on 20 February 2009 by the SAT, states that the corporate recipient of dividends distributed by the PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of PRC (《中華人民共和國增值稅暫行條例》), which was last amended by the State Council on 5 November 2008 with effect from 1 January 2009 and its Detailed Implementation Rules on the Interim Regulations on Value-Added Tax of PRC (《中華人民共和國增值稅暫行條例實施細則》) issued by the Ministry of Finance and State Administration of Taxation on 15 December 2008 and which became effective on 1 January 2009, all enterprises and individuals engaged in the sales or importation of goods, and provision of processing, repairing and replacement services, within the territory of the PRC shall pay value-added tax at the following rates:

- (1) For taxpayers selling or importing goods other than those specified in items (2) and (3) of below, the tax rate shall be 17%.

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- (2) For taxpayers selling or importing the following goods, the tax rate shall be 13%:
 - (a) grains, edible vegetable oils;
 - (b) tap water, heating gas, cooling gas, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;
 - (c) books, newspapers, magazines;
 - (d) feeds, chemical fertilizers, agricultural chemicals, agricultural machinery and plastic film for farming; and
 - (e) other goods as specified by the State Council.
- (3) For taxpayers exporting goods, the tax rate shall be 0%, unless otherwise specified by the State Council.
- (4) The rate of VAT levied on small-scale taxpayers shall be 3%.

Stamp Tax

Pursuant to the Interim Regulations on Stamp Tax of PRC (《中華人民共和國印花稅暫行條例》), which was issued on 6 August 1988 and amended on 8 January 2011 by the State Council and its Detailed Implementation Rules on the Interim Regulations on Stamp Tax of PRC (《中華人民共和國印花稅暫行條例施行細則》) issued on 29 September 1988 and amended on 5 November 2004 by the Ministry of Finance and State Administration of Taxation, all institutions and individuals establishing or accepting deeds or other instruments stated in the followings within the territory of the People's Republic of China shall pay stamp tax in accordance with the provisions of the relevant Regulations:

- (1) contracts or other deeds and instruments in the nature of contracts of purchases and sales, processing, construction projects, lease of property, cargo transportation, storage and warehousing, loans, property insurance and technology contracts;
- (2) deeds of transfers of proprietary rights;
- (3) business account books;
- (4) certificates of rights and licenses; and
- (5) other documents specified as taxable by the Ministry of Finance.

Laws and Regulations in relation to Advertising

The Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated on 27 October 1994 and became effective on 1 February 1995, requires an advertisement to provide definite and clear specifications, place of origin, purposes, quality, price, manufacturer, validity period or

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commitment, where any, of the commodities advertised or the contents, form, quality, price or commitment, where any, of the services advertised. Advertisers shall entrust the designing, production and publishing of advertisements to advertising agents and publishers that have the statutory business qualifications. The commodities or services advertised shall be fully covered in the business scope of the advertisers, regardless of whether the advertisement is designed, produced and published by the advertiser on its own or through entrusting of the advertisers. Where the publishing of an advertisement violates the Advertising Law of the PRC, the advertiser shall bear civil and/or administrative responsibilities including stopping the publication, making public rectification, and paying for fine, etc. Where the violation constitutes a criminal offense, the offender shall be prosecuted for criminal responsibilities.

According to our approved business scope in the PRC and our existing operation in the PRC, we are not involved in the provision of services as governed under the Advertising Law of the PRC during the Track Record Period. We will comply with the Advertising Law of the PRC in the future in relation to our future advertising activities, if any, in China.

Laws and Regulations in relation to Labour Matters

The PRC Labour Contract Law (《中華人民共和國勞動合同法》), which was adopted on 29 June 2007 and became effective on 1 January 2008, imposes certain requirements in respect of human resources management, including, among other things, signing labour contracts with employees, terminating labour contracts, paying remuneration and compensation and making social insurance contributions. In addition, the PRC Labour Contract Law requires employers to provide remuneration packages which are not lower than the relevant local minimum standards.

The PRC Employment Promotion Law (《中華人民共和國就業促進法》), which was adopted on 30 August 2007 and became effective on 1 January 2008, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

The Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which became effective on 1 January 2008, provides that employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' length of service. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

The Regulation on Work-Related Injury Insurance (《工傷保險條例》), which became effective on 1 January 2004 and was amended on 30 December 2010, requires employers to pay occupational injury insurance fees for their employees.

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Under the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (《企業職工生育保險試行辦法》), which became effective on 1 January 1995, employers must pay maternity insurance fees for their employees.

Under the Interim Regulations Concerning the Levy of Social Insurance Fees (《社會保險費徵繳暫行條例》), which became effective on 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》), which were adopted on 19 March 1999, employers in the PRC must apply for social insurance registration with the local social insurance authorities and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Interim Procedures of Shanghai Municipality on the Comprehensive Insurance for Out-of-town Employees 《上海市外來從業人員綜合保險暫行辦法》 which was issued on 22 July 2002 and amended on 30 August 2004, employers in the administrative region of Shanghai must make contributions to the comprehensive insurance for its out-of-town employees. The insurance includes occupational injuries (or accidental injuries) insurance, hospitalization medical insurance and retirement pension.

According to the Regulation on Management of the Housing Fund (《住房公積金管理條例》), which became effective on 3 April 1999 and amended on 24 March 2002, enterprises in the PRC must register with the housing fund management centre and then maintain housing fund accounts with designated banks for their employees and contribute to the fund an amount not less than 5% of the employee's average monthly salary in the previous year.

The PRC Social Insurance Law (《中華人民共和國社會保險法》), which was adopted on 28 October 2010 and became effective on 1 July 2011, requires that employers within the PRC shall subscribe and contribute to social insurance including the basic retirement pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, and maternity insurance. According to this law, employees who come from rural area shall participate in social insurance and foreigners working in the PRC may also participate in social insurance.

GB Standards

The PRC Standardization Law, which was promulgated on 29 December 1988 and became effective on 1 April 1989, requires that compulsory standards (GB standards) must be complied with for particular products as prescribed by such law. Set forth below are the material applicable GB standards for the current business of the Group in the PRC:

GB 4706.1-2005 Household and similar electrical appliances — Safety — Part 1: General requirements (《家用和類似用途電器的安全 第1部分：通用要求》) which was promulgated by AQSIQ and SAC on 26 August 2005 and implemented on 1 August 2006, is a compulsory technical standard which applies to household and similar electrical appliances with single-phase appliances voltage rating not exceeding 250V and those with other appliance voltage rating not exceeding 480V.

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GB 4706.10-2008 Household and similar electrical appliances — Safety — Particular requirements for massage appliances (《家用和類似用途電器的安全：按摩器具的特殊要求》) which was promulgated by AQSIQ and SAC on 15 December 2008 and implemented on 1 January 2010, is a compulsory technical standard which applies to household and similar electrical massage appliances with single-phase appliances voltage rating not exceeding 250V and those with other appliance voltage rating not exceeding 480V.

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BUSINESS DEVELOPMENT

The following table sets forth our Group's business development milestones:

Year	Business development
1983	Honsin Enterprises (a partnership in Hong Kong formed by Mr. CS Yip and Mr. GK Yep) established our presence in Hong Kong (which was subsequently dissolved in 1994).
1986	OTO HK was incorporated in Hong Kong for better and more convenient management control and for focusing on the business development in the Hong Kong market. We launched our first handheld massager to the market and opened a consignment counter at a Japanese department store Daimaru.
1987	We launched our first foot roller to the market.
1989	We launched our first neck massager to the market. We launched our first massage chair which was imported from Japan to the market. We opened another consignment counter at a Japanese department store Yaohan in Hong Kong.
1995	We opened a consignment counter at a Japanese department store Matsuzakaya in Hong Kong. We started using our brand "OTO" in Hong Kong for our products.
1996	We introduced the OTO Blood Pressure Metre; a product developed from Japan.
1997	We opened our first Hong Kong retail store in Times Square.
1999	We started selling our products to Macau through our distributor.
2000	OTO brand was expanded to Macau by setting up a consignment counter at a department store in Macau.
2002	We commenced corporate sales of diagnostic products to a nursing staff union and a teachers' union in Hong Kong. We began premium product sales to banks to solicit sponsorship such as promotional gifts.

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Year	Business development
2003	<p>We started researching and developing electro-reflexologist products from Korea.</p> <p>We commenced corporate sales of diagnostic products to chinese civil servants' union in Hong Kong.</p>
2004	<p>We commenced advertisement through radio and television broadcast by product spokespersons.</p> <p>We were awarded "Superbrands" by Superbrands Hong Kong.</p>
2005	<p>We started selling our products to the overseas market through our distributors.</p> <p>We were awarded "Outstanding Enterprise" by Hong Kong Business Magazine.</p>
2006	<p>We were awarded "Prominent Manufacturer Award for Product Development and Industry Contribution" from the Global Sources Publications and the "Best Healthcare Products" from the Capital Magazine Best of the Best Award.</p>
2007	<p>Our product OTO FLABÉLOS was awarded the winner for the Beauty category of the Most Popular Television Commercial Award held by Television Broadcasting Limited ("TVB") in Hong Kong.</p>
2008	<p>We started selling our products to China through our distributor.</p>
2010	<p>OTO Shanghai, which was subsequently acquired by us in June 2011, established our first consignment counter in China.</p>
2011	<p>Our product OTO Cruncher was a finalist for the Fashion and Beauty category of the Most Popular Television Commercial Award held by TVB in Hong Kong.</p> <p>We were awarded the "Best Massage Products" from the Capital Magazine Best of the Best Award.</p>

CORPORATE HISTORY AND DEVELOPMENT

Our Group has its origins from the Yip Brothers' business in Singapore dating from the late 1970s. The Yip brothers' business first started by Mr. CS Yip and Mr. GK Yep's spouse (namely Ms. Tan Swee Geok) when they formed a partnership, IPS Brothers Enterprise in 1978 to engage in door-to-door sale of household appliances and health and wellness products in Singapore. In 1983, IPS Brothers Enterprises Pte. Ltd., the predecessor of OTO Singapore, was incorporated to carry out the business of trading and retailing of health and wellness products and the partnership company, IPS Brothers Enterprise was duly dissolved at about the same period. As the Yip Brothers' health and wellness business expanded, the Yip Brothers restructured their product offerings to focus on the health and wellness products. It was also at about the same time that they decided to venture into Hong Kong, where they foresaw the business opportunities and the growth potential of the health and wellness retail market in Hong Kong. Mr. CS Yip and Mr. GK Yep made their first foray into Hong

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Kong with a partnership company (namely Honsin Enterprises) in Hong Kong in 1983 and it was in 1986 that our first consignment counter was opened at a Japanese department store, Daimaru. Subsequently, we also established our retail presence in other Japanese department stores such as Matsuzakaya and Yaohan in Hong Kong.

With the initial success in the opening of consignment counters and the anticipation of the growth potential in their Hong Kong business, the Yip Brothers duly established OTO HK, a Hong Kong limited liability company in November 1986, which laid the foundation of our Group. OTO HK since its formal inception was established as a corporate and sales office that housed key management who were charged to develop the business in Hong Kong. Honsin Enterprises was dissolved in 1994. Through years of developments, we have grown to become a leading health and wellness developer and retailer in Hong Kong. Today, we are principally engaged in the business of developing and retailing of health and wellness products and our products are sold in different markets, including Hong Kong, Macau, China and other overseas markets. Leveraging on our competitive strengths, our Directors believe that we are able to substantiate our continued growth in the health and wellness equipment industry.

We set out below the corporate history and major shareholding changes of the members of the Group.

Our Company

Our Company was incorporated in the Cayman Islands on 20 January 2011 as an exempted company with limited liability.

At the time of its incorporation, the name of the Company was OTO International Limited. It was changed to OTO Holdings Limited 豪特保健控股有限公司 by a resolution of shareholders passed on 21 April 2011 (the name change took effect on 25 May 2011 when the certificate of incorporation of change of name was issued). Its authorized share capital at incorporation was US\$50,000 divided into 5,000,000 Shares of US\$0.01 each. On 11 February 2011, one (1) subscriber Share was transferred by its subscriber to Mr. GK Yip at a consideration of US\$0.01 (i.e. at its face value) and another one (1) new Share was allotted and issued to Mr. CS Yip, at a consideration of US\$0.01 (i.e. at its face value).

On 19 April 2011, each of Mr. GK Yip and Mr. CS Yip transferred his one (1) Share to BSEL at a consideration of US\$0.01 each (i.e. at its face value).

On 20 April 2011, our Company's authorised share capital was increased to US\$100 million, divided into 10,000 million Shares. Our Company has become the ultimate holding company of our Group following its acquisition from BSEL on the same day of an aggregate of 16,252 shares having a par value of US\$1 each in the share capital of OTO BVI, being its entire issued share capital, in consideration and in exchange for which our Company allotted and issued, credited as fully paid, 91,999,998 Shares to BSEL.

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Pursuant to the ICH Pre-IPO Investment Agreement, 8,000,000 Shares, representing 8% of the then entire issued share capital of the Company as enlarged by this allotment, were allotted and issued (as directed by ICH Advisors) to the following parties, being ICH's client-investors which provided funds for the subscription of such Shares at an aggregate consideration of SG\$1,388,000. Completion of the subscription of new Shares under the ICH Pre-IPO Investment Agreement took place on 26 April 2011.

Name of subscribers	Number of Shares subscribed for	Amount of consideration paid
ICH Group Ltd.	4,500,000	SG\$780,750
Aidan Investment Inc.	2,000,000	SG\$347,000
Mr. Toe Teow Heng	1,500,000	SG\$260,250
Total:	<u>8,000,000</u>	<u>SG\$1,388,000</u>

Pursuant to the TJP Pre-IPO Investment Agreement, out of the 92,000,000 Shares then held by BSEL, 5,350,000 Shares, representing 5.35% of the then entire issued share capital of the Company, were transferred to TJ Pharm SG at a consideration of SG\$5,000,000. Completion of the sale and purchase of Shares under TJP Pre-IPO Investment Agreement took place on 27 April 2011.

Major terms of the ICH Pre-IPO Investment Agreement and the TJP Pre-IPO Investment Agreement are summarized in the paragraph headed "Pre-IPO Investments" below.

Immediately after completion of the Pre-IPO Investments and prior to the completion of the Global Offering, the shareholding structure of the Company is set out below:

Name of Shareholders	No. of Shares held	Approximate shareholdings (%)
BSEL	86,650,000	86.6
ICH Group Ltd.	4,500,000	4.5
Aidan Investment Inc.	2,000,000	2.0
Mr. Toe Teow Heng	1,500,000	1.5
TJ Pharm SG	<u>5,350,000</u>	<u>5.4</u>
Total:	<u>100,000,000</u>	<u>100.0</u>

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It is contemplated that immediately after completion of the Capitalisation Issue and the Global Offering, on the assumption that 25.0% of the entire issued share capital of the Company (as enlarged by the New Shares and Shares issued under the Capitalisation Issue, excluding Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme) will be held by the public, the shareholding structure of the Company is set out below:

Name of Shareholders	No. of Shares held	Approximate shareholdings (%)
BSEL.....	207,960,000	65.0
ICH Group Ltd.	10,800,000	3.4
Aidan Investment Inc.....	4,800,000	1.5
Mr. Toe Teow Heng	3,600,000	1.1
TJ Pharm SG	12,840,000	4.0
Public Shareholders	<u>80,000,000</u>	<u>25.0</u>
Total:	<u><u>320,000,000</u></u>	<u><u>100.0</u></u>

For the purpose of the Listing, our Company has undergone further changes in its share capital, details of which are set out under the paragraph headed “Changes in share capital of our Company” in Appendix VI to this prospectus.

OTO BVI

OTO BVI was incorporated in BVI on 7 January 2011 with 50,000 authorized shares of US\$1 each.

OTO BVI became the intermediate holding company of our Group by (i) acquiring directly the entire issued share capital in OTO HK and the registered capital in OTO Macau, and (ii) acquiring through its wholly-owned subsidiary, OTO (HK) Investment, the entire registered capital in OTO Shanghai. The acquisition of OTO HK and OTO Macau was completed on 13 April 2011, while the acquisition of OTO Shanghai was completed on 29 June 2011 when OTO (HK) Investment was registered by the relevant administration of industry and commerce in Shanghai as the holder of the entire registered capital in OTO Shanghai on that date. In connection with the acquisition of OTO Shanghai, OTO (HK) Investment (as purchaser) and the Yip Brothers (as sellers) entered into an agreement for sale and purchase on 22 March 2011. The following sets forth further details of these acquisitions:

- (i) On 22 March 2011, OTO BVI, then under the control of the Controlling Shareholders (excluding BSEL), procured OTO (HK) Investment (its wholly-owned subsidiary) to enter into an agreement with the Yip Brothers for the acquisition of the then entire paid up capital of OTO Shanghai at a consideration of US\$150,000. The acquisition was approved by and registered with the relevant PRC authorities on 22 June 2011 and 29 June 2011, respectively. To provide fund for such acquisition, BSEL advanced to OTO BVI a loan in the sum of US\$150,000 which, in turn, was advanced to OTO (HK) Investment as shareholder’s loan provided by OTO BVI.

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- (ii) On 13 April 2011, the above loan in the sum of US\$150,000 owing by OTO BVI to BSEL was capitalized in full by way of OTO BVI's allotment and issue of 152 shares in OTO BVI to BSEL.
- (iii) On the same date (i.e. 13 April 2011), the entire issued share capital in each of OTO HK and OTO Macau was acquired by OTO BVI from their respective shareholders (namely, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun). The consideration for such acquisitions was satisfied by OTO BVI allotting and issuing a total of 16,100 shares in OTO BVI (of which 15,400 shares and 700 shares in OTO BVI were attributable to the acquisition of OTO HK and OTO Macau respectively). As directed by the vendors (namely, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun), these consideration shares in OTO BVI were allotted to BSEL.
- (iv) On the same date (i.e. 13 April 2011), in consideration of the above vendors (namely, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun) directing OTO BVI to allot and issue to BSEL the said 16,100 shares in OTO BVI, BSEL allotted and issued 16,100 shares to such vendors.
- (v) Following the loan capitalisation and the allotment of consideration shares as mentioned in item (ii) to (iv) above, respectively, OTO BVI then became a wholly-owned subsidiary of BSEL, while BSEL was owned by the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun.

The shareholding structure of BSEL immediately after the completion of such allotment of shares is set out below:

Name of shareholders of BSEL	No. of shares of BSEL held	Approximate shareholdings (%)
Mr. CS Yip	5,619	34.6
Mr. GK Yep	5,619	34.6
Mr. Charlie Yip.....	1,468	9.0
Mr. David Yip.....	1,314	8.0
Mr. Tan Beng Gim	1,116	6.9
Ms. Chua Siew Hun	1,116	6.9
Total:	<u>16,252</u>	<u>100.0</u>

On 20 April 2011, our Company acquired the entire issued share capital of OTO BVI (being 16,252 shares having a par value of US\$1 each) from BSEL. Since then, our Company has become the holding company of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OTO HK

OTO HK is one of the primary operating entities of our Group during the Track Record Period. It is principally engaged in the sales of health and wellness products in Hong Kong.

OTO HK was incorporated in Hong Kong as a limited liability company on 14 November 1986 under the name of Dainty Profit Limited, with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each at its incorporation. The authorised share capital of OTO HK was shortly after its establishment increased to HK\$1,000,000 divided into 1,000,000 shares of HK\$1 in February 1987. Mr. CS Yip, Mr. GK Yep and Mr. Charlie Yip, in aggregate, held 99.5% of the entire issued share capital of OTO HK upon its activation in February 1987. The remaining 0.5% of the then total issued share capital of OTO HK was held by Ms. Ivy Yip (a sister of the Yip Brothers), and her shares were later sold to Mr. David Yip in March 2005 at a consideration of HK\$1 at the time when new shareholders were introduced to OTO HK as outlined below.

In July 1999, OTO HK changed its name to OTO Bodycare (H.K.) Limited 豪特保健(香港)有限公司 in conjunction of its brand building exercise.

At the expansion stage of our Group in 2003, Mr. CS Yip and Mr. GK Yep borrowed a sum of SG\$220,000 from The Essence Shop Pte. Ltd. (a company incorporated in Singapore and owned by Mr. David Yip, Mr. Tan Beng Gim and Ms. Chua Siew Hun), which sum was remitted in February 2003 to OTO HK. The amount was used by OTO HK as its working capital. Such amount, which was recorded as accounts payable to directors, was subsequently repaid. In March 2005, the said shareholders of The Essence Shop Pte. Ltd. agreed to procure The Essence Shop Pte. Ltd. to waive the said advance made to Mr. CS Yip and Mr. GK Yep. In consideration of the said shareholders procuring such waiver, on 30 March 2005, Mr. CS Yip transferred 70,000 shares of HK\$1 each in OTO HK to Mr. Tan Beng Gim at a total consideration of HK\$1, while Mr. GK Yep transferred 70,000 shares of HK\$1 each in OTO HK to Ms. Chua Siew Hun at a total consideration of HK\$1, having taken into account that OTO HK had a net liability as at 31 March 2003 when the said SG\$220,000 was remitted to OTO HK. On 30 March 2005, as part of the family arrangement, Mr. CS Yip transferred 75,000 shares of HK\$1 each in OTO HK to Mr. Charlie Yip at a total consideration of HK\$1, Mr. GK Yep transferred 75,000 shares of HK\$1 each in OTO HK to Mr. David Yip at a total consideration of HK\$1, Ms. Ivy Yip transferred 5,000 shares of HK\$1 each in OTO HK to Mr. David Yip at a total consideration of HK\$1. Following such transfers, the Yip Brothers then held in aggregate 86% of the total issued share capital of OTO HK (among which, 35%, 35%, 8% and 8% of the total issued share capital of OTO HK were then held by Mr. CS Yip, Mr. GK Yep, Mr. Charlie Yip and Mr. David Yip, respectively); and each of Mr. Tan Beng Gim and Ms. Chua Siew Hun then held 7% of the total issued share capital of OTO HK.

In November 2006, Mr. Charlie Yip acquired an aggregate of 9,200 shares of OTO HK from the other five shareholders of OTO HK at a consideration of HK\$1 per share as an incentive and reward for his commitment in the management of OTO HK. Following such share transfer (i.e. which covered the entire period since the commencement of the Track Record Period) and up to 13 April 2011 immediately prior to OTO BVI's acquisition of OTO HK from the Controlling Shareholders (excluding BSEL), OTO HK was held as to 34.7%, 34.7%, 8.9%, 7.9%, 6.9% and 6.9% by Mr. CS Yip, Mr. GK Yep, Mr. Charlie Yip, Mr. David Yip, Mr. Tan Beng Gim and Ms. Chua Siew Hun, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 13 April 2011, OTO BVI acquired from the then shareholders of OTO HK, 1,000,000 shares of HK\$1 each, being its entire issued share capital, in consideration of OTO BVI allotting and issuing (as directed by the shareholders of OTO HK), credited as fully paid, 15,400 shares of US\$1 each to BSEL. Since then, OTO HK has become a wholly-owned subsidiary of OTO BVI.

OTO Macau

OTO Macau is one of the operating entities of our Group which principally engages in the sales of health and wellness products in Macau.

OTO Macau was incorporated in Macau as a limited liability company on 13 September 2005 under the name of OTO International (Macau) Company Limited, with registered capital of MOP30,000, which was contributed by Mr. CS Yip, Mr. GK Yep, Mr. Charlie Yip, Mr. David Yip, Mr. Tan Beng Gim and Ms. Chua Siew Hun as to 35%, 35%, 8%, 8%, 7% and 7%, respectively.

In December 2005, OTO Macau changed its name to OTO International (Macau) Company Limited 豪特國際(澳門)有限公司 in conjunction of its brand building exercise.

On 13 April 2011, OTO BVI acquired from the then shareholders of OTO Macau, the entire registered capital of OTO Macau, in consideration of OTO BVI allotting and issuing (as directed by the shareholders of OTO Macau), credited as fully paid, 700 shares of US\$1 each in its share capital to BSEL. OTO Macau then changed its name to OTO International (Macau) Company Limited 豪特國際(澳門)一人有限公司. Since then, OTO Macau has become a wholly-owned subsidiary of OTO BVI.

OTO (HK) Investment

OTO (HK) Investment is an investment vehicle of our Group established to hold our PRC operating company(ies). It was incorporated in Hong Kong as a limited liability company on 17 February 2011, with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, one (1) share of OTO (HK) Investment was subscribed for by OTO BVI at the incorporation of OTO (HK) Investment.

In late June 2011, OTO (HK) Investment became the holding company of OTO Shanghai.

OTO Shanghai

OTO Shanghai was incorporated by the Yip Brothers as a wholly foreign-owned enterprise in the PRC on 25 March 2010. At the date of its establishment, the total investment amount and the registered capital of OTO Shanghai was US\$210,000 and US\$150,000 respectively. The said registered capital was fully-paid up as of 25 May 2010.

On 22 March 2011, OTO (HK) Investment entered into an agreement with the Yip Brothers for the acquisition of the entire equity interest of OTO Shanghai at a consideration of US\$150,000. OTO (HK) Investment completed the necessary approval from and registration with the relevant PRC authorities on 22 June 2011 and 29 June 2011 respectively. As at 29 June 2011, OTO Shanghai became a wholly-owned subsidiary of OTO (HK) Investment.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 21 September 2011, the total investment amount and the registered capital of OTO Shanghai were approved to be increased to US\$10.21 million and US\$5.15 million, respectively. As at the Latest Practicable Date, OTO Shanghai's registered capital was paid-up to the extent of US\$1,152,970 (as evidenced by a capital verification report dated 10 November 2011 and OTO Shanghai's business licence dated 23 November 2011). The balance of about US\$4.0 million is required to be contributed on or before 20 September 2013.

REORGANISATION

The equity holdings of our Controlling Shareholders (excluding BSEL) of the companies which constitute our Group as at 31 December 2010 (i.e. immediately before the Reorganisation) is set out below:

	Approximate equity holdings in		
	OTO HK	OTO Macau	OTO Shanghai
Mr. CS Yip	34.7%	35.0%	25.0%
Mr. GK Yep	34.7%	35.0%	25.0%
Mr. Charlie Yip.....	8.9%	8.0%	25.0%
Mr. David Yip.....	7.9%	8.0%	25.0%
Mr. Tan Beng Gim	6.9%	7.0%	—
Ms. Chua Siew Hun	6.9%	7.0%	—
Total:	100.0%	100.0%	100.0%

Prior to Listing, our Group underwent the Reorganisation to rationalize our Group's structure, which involved the following steps:

- (a) on 7 January 2011, OTO BVI was incorporated in BVI with 50,000 authorized shares of US\$1 each;
- (b) on 20 January 2011, our Company was incorporated in the Cayman Islands as an exempted company under the Companies Law with an authorized share capital of US\$50,000 divided into 5,000,000 Shares of US\$0.01 each;
- (c) on 11 February 2011, one (1) subscriber Share was transferred by its subscriber to Mr. GK Yep at a consideration of US\$0.01 and another one (1) Share was allotted and issued, credited as fully paid up, to Mr. CS Yip at its par value;
- (d) on 17 February 2011, OTO (HK) Investment was incorporated in Hong Kong as a limited liability company, with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, one (1) share of OTO (HK) Investment was subscribed for by OTO BVI at the incorporation of OTO (HK) Investment;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (e) on 22 March 2011, OTO BVI procured OTO (HK) Investment, being its wholly-owned subsidiary, to acquire from the then equity-holders (i.e. the Yip Brothers) the entire registered share capital of OTO Shanghai at a consideration of US\$150,000 and the approval and registration of the acquisition with the relevant PRC authorities were completed on 22 June 2011 and 29 June 2011, respectively. On 29 June 2011, OTO Shanghai became a wholly-owned subsidiary of our Group;
- (f) on 13 April 2011, OTO BVI (then under the control of the Controlling Shareholders) acquired from the Controlling Shareholders (except BSEL), being the then shareholders of the relevant companies mentioned below, the entire issued share capital of each of OTO HK and OTO Macau, in consideration of and in exchange for which OTO BVI allotted and issued (as directed by the Controlling Shareholders (except BSEL)), credited as fully paid up, an aggregate of 16,100 shares in the capital of OTO BVI to BSEL (of which 15,400 shares and 700 shares of OTO BVI were attributable to the acquisition of the equity interest in OTO HK and OTO Macau, respectively). OTO BVI then became a wholly-owned subsidiary of BSEL. Further, the loan in the sum of US\$150,000 extended by BSEL to OTO BVI was capitalized by the issue and allotment of 152 new shares in OTO BVI to BSEL;
- (g) on the same day (i.e. 13 April 2011), (i) in consideration of the Controlling Shareholders (except BSEL) directing OTO BVI to issue to BSEL a total of 16,100 new shares of US\$1 each in OTO BVI mentioned in paragraph (f) above, BSEL issued to the Controlling Shareholders (except BSEL) an aggregate of 16,100 new shares in BSEL having a par value of US\$1 each (credited as fully paid), and (ii) the loan in the sum of US\$150,000 extended by the Yip Brothers to BSEL was capitalised by BSEL allotting and issuing 152 shares in BSEL to the Yip Brothers in equal share. These BSEL shares were issued to the Controlling Shareholders (except BSEL) having regard to their respective shareholdings in each of OTO HK, OTO Macau and OTO Shanghai and also the net asset value of these companies as at 31 December 2010;
- (h) on 19 April 2011, each of Mr. CS Yip and Mr. GK Yep transferred his one (1) Share to BSEL at a consideration of US\$0.01 each;
- (i) on 20 April 2011, our Company acquired from BSEL an aggregate of 16,252 shares having a par value of US\$1 each in the share capital of OTO BVI, being its entire issued share capital all of which were held by BSEL, in consideration and in exchange for our Company allotting and issuing, credited as fully paid, 91,999,998 Shares to BSEL.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

Pursuant to the ICH Pre-IPO Investment Agreement made by (among other parties) ICH Advisors and the Company, ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng have become our Shareholders. Pursuant to the TJP Pre-IPO Investment Agreement made by (among other parties) Tianjin Pharm SG and BSEL, TJ Pharm SG has become our Shareholder. Summary of such Pre-IPO investments are set out in the table below:

	<u>ICH Pre-IPO Investment Agreement</u>	<u>TJP Pre-IPO Investment Agreement</u>
Date of agreement	2 January 2011 (following the broad terms set out in a term sheet made in July 2010)	28 February 2011
Name of parties to the relevant agreement	ICH Advisors (as subscriber), the Company (in the process of formation) (as issuer) and the Controlling Shareholders (as guarantors of the Company) (Note 1)	TJ Pharm SG (as purchaser), BSEL (as vendor), and the Controlling Shareholders (as guarantors of BSEL) (Note 2)
Number of Shares acquired	8,000,000 new Shares (representing 8% of the enlarged issued share capital in the Company immediately after the allotment of the new Shares pursuant to the ICH Pre-IPO Investment Agreement)	5,350,000 existing Shares (representing 5.35% of the issued share capital in the Company immediately after the transfer of the relevant sale Shares pursuant to the TJP Pre-IPO Investment Agreement)
Consideration (Note 4)	SG\$1,388,000 (equivalent to about HK\$8,328,000)	SG\$5,000,000 (equivalent to about HK\$30,000,000)
Basis of determining the consideration	Net tangible assets (“NTA”) of our Group as at 31 March 2010	Projected post-money market capitalization of our Group of about HK\$750 million (Note 2)
Date (or, as the case may be, the final date) of payment of the entire subscription (or purchase) price	26 April 2011 (Note 3)	27 April 2011

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

	<u>ICH Pre-IPO Investment Agreement</u>	<u>TJP Pre-IPO Investment Agreement</u>
Date of issue (or transfer) of Shares	26 April 2011	27 April 2011
Name of Pre-IPO Investors finally taking up the relevant Shares	ICH Group Ltd. (4.5%), Aidan Investment Inc. (2%) and Mr. Toe Teow Heng (1.5%) (being client-investors of ICH Advisors and the Company was directed by ICH Advisors to issue the relevant Shares to such persons) (Note 1)	TJ Pharm SG (Note 2)
Cost per Share paid for the Pre-IPO investment (after taking account of the Capitalisation Shares to be issued to the relevant Pre-IPO Investor) (Note 5)	HK\$0.43	HK\$2.3
Discount to or premium over the mid-point of the indicative Offer Price range	Discount of 70.1%	Premium of 59.7%
Shareholding held in our Company immediately after the Global Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised)	ICH Group Ltd. (about 3.4%) Aidan Investment Inc. (about 1.5%) Mr. Toe Teow Heng (about 1.1%)	4.0%

Notes:

- (1) ICH Group Ltd is the sole shareholder of ICH Advisors. ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng are client-investors of ICH Advisors.

ICH Group Ltd. is a company incorporated in BVI with limited liability. It is an investment holding company as well as the sole shareholder of ICH Advisors. Its beneficial owners are Beeston Invest & Trade Inc, Mr. Chan Tak Tim Danny, Mr. Cheah Chow Seng, Mr. Toe Teow Heng and Mr. Toe Teow Teck, each has a shareholding interest of 11.6%, 3.0%, 1.5%, 26.0% and 57.9% respectively.

Aidan Investment Inc. is a company incorporated in the BVI with limited liability. It is an investment-holding company. Its sole beneficial owner is Mr. Alvin Chew Lee Guan.

Mr. Toe Teow Heng is a shareholder of the Company who also owns 26.0% of the issued share capital in ICH Group Ltd.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Beeston Invest & Trade Inc. is a limited company beneficially owned by Mr. Toe Teow Heng (50%) and Mr. Toe Teow Teck (50%).

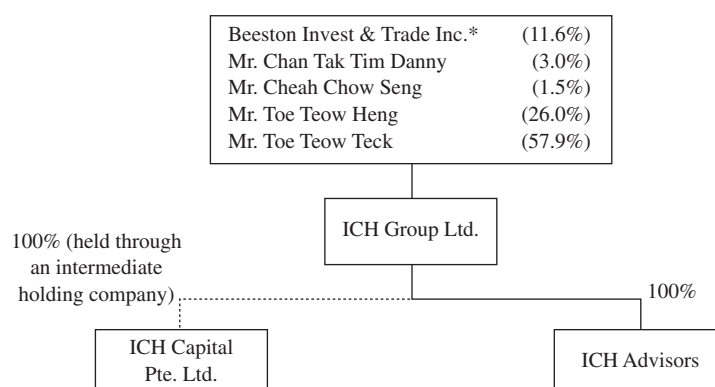
Mr. Toe Teow Heng and Mr. Toe Teow Teck are brothers and are the controlling shareholders of ICH Group Ltd. which in turn is the holding company of a few companies (“ICH Group”) which are engaged in corporate advisory, fund management and direct investment. These companies are headquartered in Singapore with offices in China and other places. Mr. Toe Teow Heng is a Chartered Financial Analyst and the Chief Executive Officer of the ICH Group. Mr. Toe Teow Teck graduated with a Bachelor Degree in Electrical Engineering and is the Chairman of the ICH Group.

Mr. Alvin Chew is an employee of the ICH Group.

Mr. Cheah Chow Seng is currently a corporate advisor to a few companies in Singapore and an independent non-executive director of a company listed in Singapore (all of which are unrelated to the ICH Group). Other than being a shareholder of ICH Group Ltd. which in turn holds shares in our Company, Mr. Cheah is an Independent Third Party.

Mr. Chan Tak Tim Danny is a retiree. Other than being a shareholder of ICH Group Ltd. which in turn holds shares in our Company, Mr. Chan is an Independent Third Party.

The relationship of ICH Group Ltd., ICH Advisors and ICH Capital Pte. Ltd., and the ultimate shareholders and their respective shareholdings in ICH Group are depicted below:



* Beeston Invest & Trade Inc. is a limited company beneficially owned by Mr. Toe Teow Heng (50%) and Mr. Toe Teow Teck (50%).

Save for (i) the holding of the Shares pursuant to the ICH Pre-IPO Investment Agreement, (ii) the holding of shares in OTO Singapore and OTO Malaysia pursuant to the ICH-OTO SM Investment Agreement (as defined below), and (iii) the provision of certain consultancy services by ICH Capital Pte. Ltd. and as disclosed above in this Note (1), each of the persons and/or entities mentioned in this Note (1) is an Independent Third Party.

- (2) TJ Pharm SG is a wholly-owned subsidiary of TJ Pharm PRC. TJ Pharm PRC is a state-owned enterprise registered in the PRC to perform capital management and industrial operation. TJ Pharm PRC has a national-level pharmaceutical research institute, and takes pharmaceutical industry as its main business which includes research and development, manufacturing and distribution.

The net proceeds in the sum of SG\$5 million (equivalent to about HK\$30 million) arising from the sale of 5,350,000 existing Shares under the TJP Pre-IPO Investment Agreement were received by OTO Singapore on behalf of BSEL. The proceeds were subsequently paid to the Controlling Shareholders (excluding BSEL).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (3) By 21 January 2011, the aggregate of the subscription prices payable under the ICH Pre-IPO Investment Agreement and those under the ICH-OTO SM Investment Agreement (as defined in the sub-section headed “ICH Pre-IPO Investment Agreement”) were paid to OTO Singapore by three client-investors of ICH Advisors (namely, ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng). On or before 26 April 2011, the subscription price payable under the ICH Pre-IPO Investment Agreement (i.e. SG\$1,388,000 (equivalent to about HK\$8,328,000, was remitted by OTO Singapore (on behalf of the client-investors of ICH Advisors) to our Group) which were used as general working capital of our Group.
- (4) Exchange Rate — SG\$1 = HK\$6.0 for the purpose of the Pre-IPO Investment Agreements.
- (5) ICH Advisors’ client-investors made a decision in July 2010 to invest in our Group, OTO Singapore and OTO Malaysia with a longer investment horizon (i.e. five years). In contrast, TJ Pharm SG made the decision to invest in our Group in February 2011 as a Pre-IPO strategic investor, after (i) the finalization of ICH Advisors’ client-investors investment in our Group on 2 January 2011 and, (ii) the Group already began implementation of the its listing plan. For the above reasons, the respective subscription prices under the ICH Pre-IPO Investment Agreement and TJP Pre-IPO Investment Agreement are different.

ICH Pre-IPO Investment Agreement

In July 2010, ICH Advisors indicated its intention (by entering into a term sheet signed by Mr. CS Yip on behalf of OTO Singapore, OTO HK and other affiliates) to make investment (with valuation based on the net tangible assets of the relevant entities), as a pre-IPO financial investor, in OTO Singapore and other affiliates (including but not limited to OTO HK) under the control of the Yip Brothers.

Following the signing of the said term sheet and further discussions between the parties, by a preliminary investment agreement (“ICH Preliminary Agreement”) dated 15 October 2010 and made between our Company, OTO Singapore, OTO Malaysia, the Yip Brothers and ICH Advisors, it was agreed that ICH Advisors would acquire 8% of the enlarged issued share capital in each of our Company (in the process of formation), OTO Singapore and OTO Malaysia, at an acquisition price equivalent to 8% of the aggregate audited net tangible assets of the said relevant companies as at 31 March 2010 which basis of valuation is the same as the term sheet made in July 2010. The ICH Preliminary Investment Agreement was subsequently superseded by the ICH Pre-IPO Investment Agreement and the ICH-OTO SM Investment Agreement (both as mentioned below).

The ICH Pre-IPO Investment Agreement was made on 2 January 2011 by (i) our Company (then in the process of formation); (ii) the Controlling Shareholders (excluding BSEL), and (iii) ICH Advisors as investor. Under such agreement, ICH Advisors agreed to subscribe for such number of Shares as would represent 8% of the issued share capital in our Company immediately after the Reorganization but before the Global Offering. The subscription price for such Shares under the ICH Pre-IPO Investment Agreement is provided to be equal to 8% of the NTA of our Group as at 31 March 2010, which consideration in any event shall not be less than SG\$1,388,000 (equivalent to about HK\$8,328,000).

Concurrently with the signing of the ICH Pre-IPO Investment Agreement, the Controlling Shareholders (other than Mr. Charlie Yip and BSEL), OTO Singapore, OTO Malaysia and ICH Advisors also entered into another investment agreement (“ICH-OTO SM Investment Agreement”), pursuant to which ICH Advisors agreed to subscribe for such number of shares in each of OTO

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Singapore and OTO Malaysia as would represent 8% of the issued share capital in each of such companies as enlarged by the shares to be issued under such subscription. Terms of the ICH-OTO SM Investment Agreement are similar to those of the ICH Pre-IPO Investment Agreement. The subscriptions as provided under the ICH-OTO SM Investment Agreement in respect of OTO Singapore and OTO Malaysia were completed on 21 November 2011 and 23 November 2011, respectively. OTO Singapore and OTO Malaysia have been excluded from our Group after the Reorganisation. For further details, please refer to the section headed “Relationship with Controlling Shareholders — Reasons for not including OTO Singapore and OTO Malaysia in our Group” of this prospectus.

On 21 April 2011, we received the subscription prices payable under the ICH Pre-IPO Investment Agreement which were remitted by OTO Singapore to our Group. Please refer to Note 2 in the table setting out the summary of the Pre-IPO Investments above in this section for further details. After (among other steps) OTO BVI becoming the holding company of OTO HK and OTO Macau as part of the Reorganisation and following our Group’s receipt of such subscription prices, a total of 8 million Shares were allotted and issued on 26 April 2011 to the client-investors of ICH Advisors, which represented 8% of our Company’s issued share capital immediately after the issue of such subscription Shares. Of such 8 million subscription Shares, 4.5 million Shares, 2.0 million Shares and 1.5 million Shares were issued to ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng, respectively.

The principal terms of the ICH Pre-IPO Investment Agreement include the following (in addition to the subscription price and other commercial terms as disclosed above):

- | | | |
|--------------------------------------------------------------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Right of appointment of a director to each company of our Group | : | Under the agreement, ICH Advisors is entitled to appoint an executive director or a non-executive director for each company of our Group. This right has not been exercised as at the Latest Practicable Date and it is expected that such right will not be exercised before the Listing and will expire upon Listing. |
| Options for ICH Advisors to require the Controlling Shareholders to buy Shares from ICH Advisors | : | The Controlling Shareholders (excluding BSEL) granted to ICH Advisors (i) a call option pursuant to which the Controlling Shareholders (excluding BSEL) are obliged to purchase all the Shares held by ICH Advisors (or its client-investors); and (ii) a put option pursuant to which ICH Advisors is entitled to sell the Shares held by ICH Advisors (or its client-investors) to the Controlling Shareholders at the purchase price. Both options may be exercised by ICH at any time after the earlier of the following dates: (a) five years from the date of completion of the ICH Pre-IPO Investment Agreement if the Listing does not take place, or (b) the date of withdrawal of the application by our Company to list its Shares on a recognised stock exchange. These options will lapse upon Listing. |

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If either of the options is exercised by ICH Advisors, the Controlling Shareholders (excluding BSEL) are required to purchase the Shares held by the client-investors of ICH Advisors.

The purchase price is equivalent to the original investment cost of SG\$1,388,000 (equivalent to about HK\$8,328,000) plus an interest of 8% per annum up to the date of exercise of the relevant option, provided that such interest rate shall be adjusted to (i) 25% per annum if our Company received listing approval from a recognized stock exchange but decides not to proceed with its listing within the period specified by the listing approval, or (ii) 35% per annum if our Company or the Controlling Shareholders breaches any of the warranties, representations or undertakings under the ICH Pre-IPO Investment Agreement, as determined by a judgment of a Hong Kong court or an order of the Hong Kong International Arbitration Centre.

- Warranty as to audited NTA : The Controlling Shareholders have also jointly and severally warranted that the aggregate audited NTA of our Group as at 31 March 2010 shall not be less than SG\$17,336,000 or otherwise certain compensation amount is payable to the Investor. As the audited NTA of our Group as at 31 March 2010 is greater than SG\$17,336,000, no compensation is payable by our Controlling Shareholders to ICH Advisors.
- Minority protection rights : The ICH Pre-IPO Investment Agreement also contains usual minority protection provisions as undertaken by the Controlling Shareholders, such as the right granted to ICH Advisors to have access to the financial records of the Group, undertaking not to amend our Group members' constituent documents unless with the prior consent of ICH Advisors, and undertaking not to pass any resolution of winding-up or cause a petition for winding-up. These provisions will lapse upon Listing.

By a deed of non-disposal undertakings dated 25 November 2011, each of the client investors of ICH Advisors has undertaken in favour of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) that each of the client investors of ICH Advisors will not dispose of (nor agree to dispose of) any Shares held by them for a period of six months from the Listing Date (other than under or in connection with the Global Offering).

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As each of ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng does not participate in the day-to-day management of our Group and the total number of Shares held by them in aggregate does not exceed 10% of the issued share capital of our Company upon Listing, our Directors consider that the Shares held by each of the said Pre-IPO Investors forms part of the public float for the purpose of Rule 8.08 of the Listing Rules.

TJP Pre-IPO Investment Agreement

TJ Pharm SG was introduced to our Group and the Controlling Shareholders by ICH Capital Pte. Ltd. in October 2010 as a strategic investor. Following negotiation between TJ Pharm SG (as purchaser) and the Controlling Shareholders (as vendor), the TJP Pre-IPO Investment Agreement was made on 28 February 2011 by (i) BSEL (as seller), (ii) the Controlling Shareholders (excluding BSEL) (as warrantors of BSEL) and (iii) TJ Pharm SG (as purchaser). Under such agreement, TJ Pharm SG agreed to purchase from BSEL such number of Shares which constitute 5.35% of the enlarged issued share capital in our Company immediately after the Reorganization but before the Global Offering. Under such agreement, TJ Pharm SG agreed to purchase such Shares at a consideration of SG\$5,000,000 (equivalent to about HK\$30,000,000).

Save for the holding of Shares pursuant to the TJP Pre-IPO Investment Agreement, TJ Pharm SG and its ultimate beneficial owners are Independent Third Parties.

The aggregate of the purchase price payable under the TJP Pre-IPO Investment Agreement was received from TJ Pharm SG on 27 April 2011. Upon completion a total of 5.35 million Shares were transferred by BSEL to TJ Pharm SG. Such Shares represented 5.35% of our Company's then issued share capital at the date of such transfer.

The principal terms of the TJP Pre-IPO Investment Agreement include the following (in addition to the purchase price and other commercial terms as disclosed above):

Options to require the Controlling Shareholders to buy Shares from TJ Pharm SG	:	The Controlling Shareholders (excluding BSEL) granted to TJ Pharm SG (i) a call option pursuant to which the Controlling Shareholders are obliged to purchase all the Shares held by TJ Pharm SG; and (ii) a put option pursuant to which TJ Pharm SG is entitled to sell the Shares held by TJ Pharm SG to the Controlling Shareholders (excluding BSEL) at the repurchase price. Both options may be exercised by TJ Pharm SG at any time after the earlier of the following dates: (a) two years from the date of completion of the TJP Pre-IPO Investment Agreement if the Listing does not take place, or (b) the date of withdrawal of the application to list its Shares on a recognized stock exchange (but for the avoidance of doubt, the expiry of an application for Listing in accordance with the listing rules or listing manual of the recognized stock exchange shall not be deemed to be a withdrawal). These options will lapse upon Listing.
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If either of the options is exercised by TJ Pharm SG, the Controlling Shareholders (excluding BSEL) are required to purchase the Shares held by the TJ Pharm SG.

The repurchase price is equivalent to the original investment cost of SG\$5,000,000 plus an interest of 8% per annum up to the date of exercise of the relevant option, provided that such interest rate shall be adjusted to (i) 25% per annum if our Company has received listing approval from a recognized stock exchange but decides not to proceed with its listing within the period specified by the listing approval, or (ii) 35% per annum if our Company or the Controlling Shareholders breaches any of the warranties, representations or undertakings under the TJP Pre-IPO Investment Agreement, as determined by a judgment of a Hong Kong court or an order of the Hong Kong International Arbitration Centre.

Minority protection rights : The TJP Pre-IPO Investment Agreement also contains usual minority protection provisions as undertaken by the Controlling Shareholders, such as the right granted to TJ Pharm SG to have access to the financial records of the Group, undertaking not to amend our Group members' constituent documents without the prior consent of TJ Pharm SG, and undertaking not to pass any resolution of winding-up or cause a petition for winding-up. These provisions will lapse upon Listing.

By a deed of non-disposal undertakings dated 25 November 2011, TJ Pharm SG has undertaken in favour of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Underwriters that TJ Pharm SG will not dispose of (nor agree to dispose of) any Shares held by them for a period of six months from the Listing Date (other than under or in connection with the Global Offering).

As TJ Pharm SG does not participate in the day-to-day management of our Group and the total number of Shares held by it does not exceed 10% of the issued share capital of our Company upon Listing, our Group considers TJ Pharm SG forms part of the public float for the purpose under Rule 8.08 of the Listing Rules.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special rights under the Pre-IPO Investment Agreements

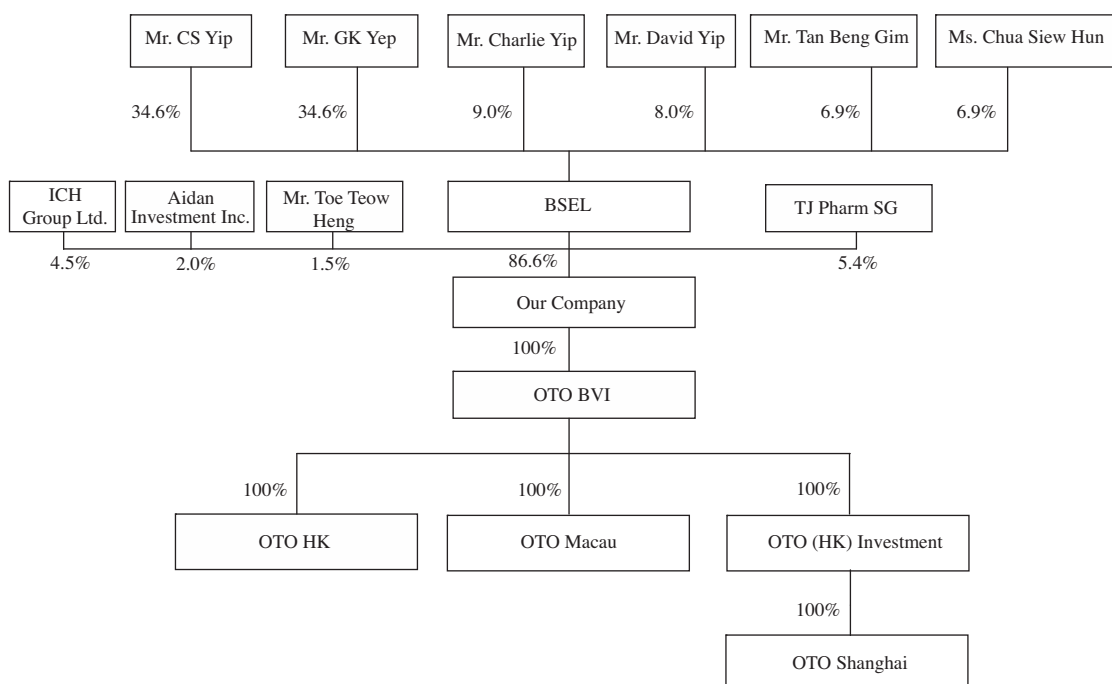
The special rights granted under the Pre-IPO Investment Agreements to the respective Pre-IPO Investors such as right of appointment of director and/or the options requiring the Controlling Shareholders to buy Shares (as the case may be) are provided under such agreements to lapse upon Listing.

Confirmation from the Sole Sponsor

Having reviewed the relevant information and documentation in relation to the ICH Pre-IPO Investment Agreement and the TJP Pre-IPO Investment Agreement and as confirmed by our Directors, the Sole Sponsor is of the view that such investments are in compliance with the interim guidance on pre-IPO investments announced by the Listing Committee of the Stock Exchange on 13 October 2010.

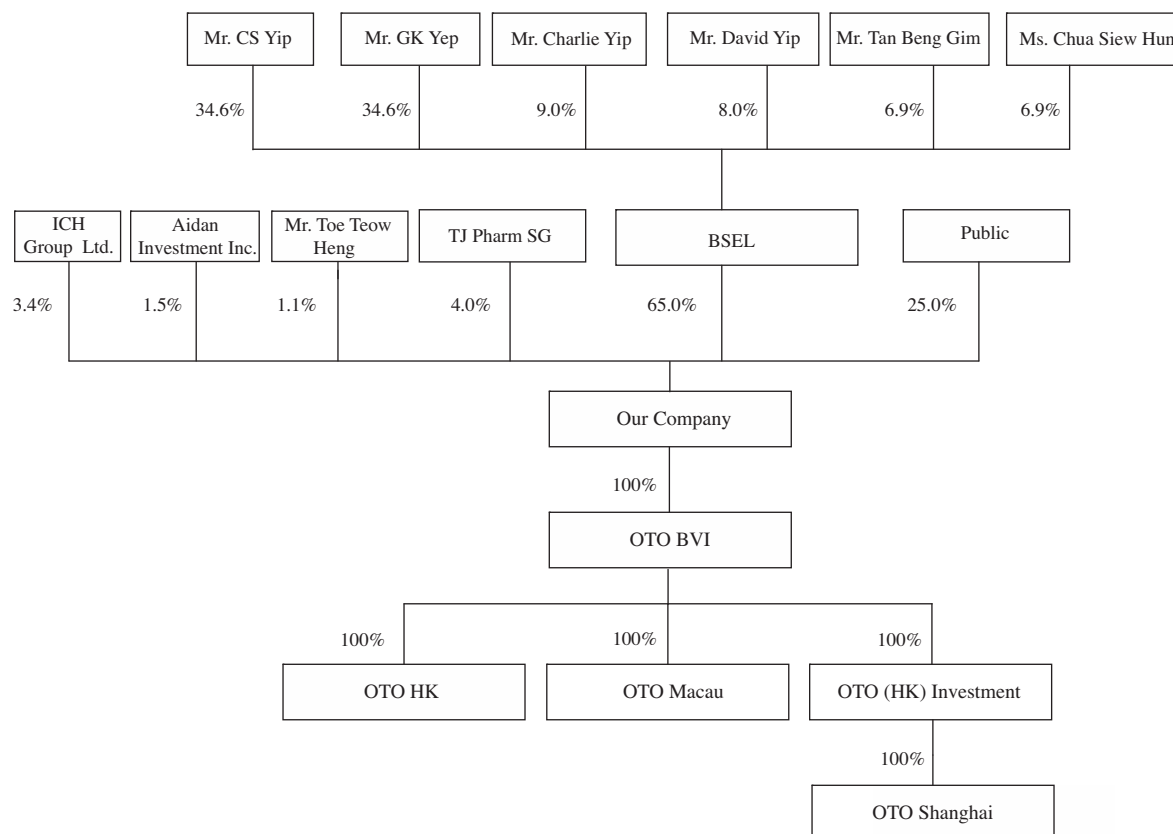
GROUP STRUCTURE

The corporate structure of the members of our Group as at the Latest Practicable Date immediately after completion of the Reorganisation but prior to the Capitalisation Issue and the Global Offering is set out below:-



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of the members of our Group immediately following completion of the Reorganisation after the Capitalisation Issue and the Global Offering is set out below (assuming the Over-allotment Option is not exercised):



If the Over-allotment Option is exercised in full, the shareholding percentage of our Shareholders immediately after such exercise is set out below (assuming the number of issued Shares is not changed at all):

Name of Shareholder	Approximate shareholdings
BSEL	62.6%
ICH Group Ltd.	2.6%
Aidan Investment Inc.	1.1%
Mr. Toe Teow Heng	0.9%
TJ Pharm SG	4.0%
Public	28.8%
Total	<u>100.0%</u>

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INTRODUCTION

We are a leading developer and retailer of health and wellness products in Hong Kong under our proprietary “OTO” brand with retail outlets in Hong Kong, the PRC, and Macau. We also sell our products to corporate customers and overseas markets. We have a large portfolio of products, which are broadly divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. According to the Frost & Sullivan Report, we ranked first in the Hong Kong relaxation equipment market in terms of units sold with a market share of 65.0% and ranked second in terms of sales revenue with a market share of 28.3% in 2010. We also ranked first in the Hong Kong partial body massage equipment market in terms of both units sold and sales revenue with a market share of 72.2% and 60.7%, respectively, in 2010.

Our proprietary “OTO” brand is a well-known brand name in the health and wellness product industry. According to the Frost & Sullivan Report, we ranked first in terms of Other Unaided Brand Awareness and ranked second in terms of Top of Mind Brand Awareness of partial body massage equipments in Hong Kong. We have also received awards and recognitions from various awarding bodies in recognition of our brand name, including recognition as a “Superbrand” by Superbrands Hong Kong in 2004 and 2005, awards for “Best Health Care Products” by Capital Magazine in 2006, the “Prominent Manufacturer Award for Product Development and Industry Contribution” by Global Sources Publications Ltd. in 2006, the winner for the Beauty category of the Most Popular Television Commercial Award by Television Broadcast Limited in 2007, a finalist of the Most Popular Television Commercial Award for the Fashion and Beauty category by Television Broadcast Limited in 2011, and award for “The Best Massage Products” by Capital Magazine in 2011. We will continue to build and enhance our “OTO” brand by continuing to deliver high-quality health and wellness products and strengthening our market image.

We have diversified sales channels through, (i) traditional sales channels including (a) retail stores; and (b) consignment counters; and (ii) proactive sales channels, including (a) roadshow counters; (b) corporate sales; and (c) International Sales. As at Latest Practicable Date, we had a total of 14 retail stores and 16 consignment counters in Hong Kong, one retail store and two consignment counters in Macau, and 14 consignment counters in the PRC, located in major cities including Beijing, Shanghai, Suzhou, Dalian, Tianjin, Hangzhou, Shenzhen, Jilin and Harbin. Our retail outlets are primarily located in shopping malls and department stores. We also conduct roadshows in different department stores and shopping malls in Hong Kong, Macau, and the PRC and customers may purchase our products through our roadshow counters. During the Track Record Period, revenue from our retail outlets accounted for approximately 90.6%, 85.5%, 86.3% and 79.8% of our total revenue, respectively. In addition to our retail outlets, we also sell our products to corporate customers such as financial institutions, retail chain stores and professional bodies. During the Track Record Period, we had an aggregate of seven, 16, 53 and 51 corporate customers, respectively, under our corporate sales channel, and revenue from corporate sales during the Track Record Period accounted for approximately 5.8%, 11.7%, 7.9% and 9.6% of our total revenue, respectively. We also export our products to international customers for their distribution in the overseas markets. During the Track Record Period, our international customers’ distribution network covered countries in different regions in the world, including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia,

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Thailand, Japan and Hungary, and we had a total of six, 19, 16 and 16 international customers for each of the three years ended 31 March 2011 and the five months ended 31 August 2011. The revenue from International Sales during the Track Record Period accounted for approximately 3.6%, 2.8%, 5.8% and 10.6% of our total revenue, respectively.

Our innovative product design and development capabilities is one of our core competitive strengths. We conduct regular research to gather information on the latest market trends, and our in-house product design and development team will conceptualise and develop designs for new product and make modifications on existing products. We may also work together with external manufacturers on the designs of our products. On average, we introduce ten to 15 new health and wellness products including three to four new key products to the markets each year. We believe that by leveraging on our deep knowledge of market trends and customers' needs and our long established relationships with our manufacturers, we have been able to transform product concepts into commercially viable and popular products in an efficient and effective manner. We believe that our capabilities in market research, product design and development and product procurement complement our brand building and the marketing of our products.

We source all four categories of our products mainly from manufacturers in China, Korea, Taiwan and Japan. Further details are set forth in the paragraph headed "Product Procurement" in this section of this prospectus. We believe that this outsourcing strategy allows us to focus our resources on the key stages of the product life cycle, including product design and development, brand promotion and management, and sales and marketing. This strategy has also enabled us to focus on quality control and to avoid direct exposure to operational and financial risks and expenses of operating production facilities and managing labour, and allows us to maximise the returns on our assets.

Leveraging on our established brand name and our design and development capabilities, we seek to further expand our sales network to cover additional geographical areas, and in particular, the market in China. We will also seek to expand the range of our health and wellness products and better cater to a wider and more diverse customer base by continuing to develop new products.

COMPETITIVE STRENGTHS

Our Directors believe that our success is primarily attributable to the following competitive strengths:




We are one of the market leaders of health and wellness products in Hong Kong and well-positioned to benefit from the health and wellness product market in China

We are one of the market leaders of health and wellness products in Hong Kong. According to the Frost & Sullivan Report, we ranked first in the Hong Kong relaxation equipment market in terms of units sold with a market share of 65.0% and ranked second in terms of sales revenue with a market share of 28.3% in 2010. We also ranked first in the Hong Kong partial body massage equipment market in terms of both units sold and sales revenue with a market share of 72.2% and 60.7%, respectively, in 2010. Leveraging our recognized market position in Hong Kong, we are well-positioned to benefit from the prospective health and wellness product market in China. According to the Frost & Sullivan

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Report, it is expected that the total sales revenue of health and wellness equipment in China will grow at a CAGR of 18.3% between 2011 and 2015. Given the increasing public awareness and demand for quality health and wellness products in recent years, our Directors believe today's consumers are more willing to pay for high-quality health and wellness products, of which we are currently providing. Our Directors believe that, as an industry leader, we will continue to benefit from and capture opportunities in the fast-growing health and wellness product market, and will further strengthen our leading position in Hong Kong and capture additional market share in China.

We possess a well-known brand name

“” is a well-known brand name in the health and wellness industry in Hong Kong. Over the years, we have successfully established this brand and achieved our brand value by consistently offering innovative and high quality health and wellness products to consumers. We have carried out extensive advertising and promotional activities to create and promote awareness of our brand name in the health and wellness product market. Through our commitment in product design, quality assurance and after-sales service, our brand name “” has emerged as one of the leading brands in the health and wellness product market in Hong Kong. The awards and recognitions we received over the years are testaments to the market acceptance of our “” branded health and wellness products.


Our full and comprehensive product offerings enable us to cater to different customer needs

We have a large brand portfolio of products, which cater to different needs of consumers. Our products can be widely divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. As at the Latest Practicable Date, we had a total of 49 models of relaxation products, seven models of fitness products, 11 models of therapeutic products and ten models of diagnostic products being offered to our customers. Each of these product categories targets different needs and preferences of consumers. Further, we collect market data from different markets and analyse them in detail. On average, we provide our customers with three to four new key health and wellness products each year. Hence, we are able to adapt to changes in market trends and customers' preferences as we offer a wide range of products which differs in terms of designs, features and functionality covering major parts of the body from head to toe. Please refer to the subsection headed “Products” in this prospectus for further details.



Our innovative product design and development capabilities enable us to lead market trends and transform product concepts into commercially viable products

Our design and development team and procurement team, which is led and inspired by Mr. CS Yip, are responsible for designing, developing and sourcing products. On average, we provide our customers with ten to 15 new health and wellness products including three to four new key products each year. We believe that by leveraging our deep knowledge of market trends and customers' needs and our long established relationships with our manufacturers, we have been able to transform product concepts into commercially viable and popular products in an efficient and effective manner. We may also work together with external manufacturers on the designs of our products. To further enhance our product design and development, we have also retained the service of a Japanese consultant to assist our design and development team. We have designed and developed all the products under our brand

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name “”, which we believe have demonstrated and strengthened our marketing ability. In relation to product sourcing, our procurement staff who are members of our design and development and procurement team, is typically experienced in the health and wellness product industry. They identify market trends, design and source products that are best suited for our customers’ needs and preferences. We believe that our capabilities in market research, product design and development and product procurement complement our brand building and marketing of our products. These capabilities represent our core competitive strengths and will continue to play a major role in our business going forward.


Our sales network and diversified sales channels enable us to serve a broad customer base and meet growing and different customer demand

We have diversified sales channels with a wide geographic coverage, which enables us to integrate a full range of products under our brand name “” to cater to the spending power and habits of different consumers in Hong Kong, Macau and China. We conduct our sales through (i) traditional sales channels, including (a) retail stores; and (b) consignment counters; and (ii) proactive sales channels, including (a) roadshow counters; (b) corporate sale; and (c) International Sales. As at Latest Practicable Date, we had a total of 14 retail stores and 16 consignment counters in Hong Kong; one retail store and two consignment counters in Macau; and 14 consignment counters in China, covering major cities including Beijing, Shanghai, Suzhou, Dalian, Tianjin, Hangzhou, Shenzhen, Jilin and Harbin. Our retail outlets are primarily located in shopping malls and department stores where we believe there is a strong demand for high-quality health and wellness products. Beside our retail business, we also reach out to corporate customers including financial institutions, retail chain stores and professional bodies. For the three years ended 31 March 2011 and the five months ended 31 August 2011, we had an aggregate of seven, 16, 53 and 51 corporate customers, respectively. Additionally, we sell our products to our international customers covering countries in different regions in the world, including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary during the Track Record Period. Through our diversified sales channels, we believe we could penetrate into our two targeted niche markets, being the cosmopolitan group and the aging group. Consumers in the cosmopolitan group are characterized by people over the age of 30 who work long hours, are stressed and tired, and have health and wellness needs. Consumers in the aging group are characterized by people above 50 years old with the spending power and are concerned about their health and well being. We have also developed fitness products under the “” brand name targeting young adult group over the age of 20, with the aim to promote and educate young adults on health and fitness. We believe that our extensive sales network and diversified sales channels not only cover a broad customer base across different markets, but also meet different customers’ needs, which enable us to expand into additional markets.

Our experienced management and staff have strong execution capabilities and a proven track record of generating growth for us

Our senior management team possesses solid industry knowledge and extensive operational experience. Our chairman and executive Director, Mr. CS Yip, our chief executive officer and executive Director, Mr. Charlie Yip and our executive Director, Mr. David Yip, have over 30, 25 and 20 years of experience in the health and wellness product industry, respectively. As a result of our senior management team’s experience in the health and wellness product industry, we are able to

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understand trends in the health and wellness product market and successfully become a market leader of health and wellness products. In addition, our Directors and senior management have adopted a hands-on approach in mapping out our objectives and policies. They are actively involved in our product design and development, sales and marketing, and brand management. Their commitment and dedication to us has been one of the main contributing factors to the success of our brand name “” to become a leading health and wellness brand. We believe that our Directors and senior management have played and will continue to play an important role in achieving success and maintaining our business growth in the future.

BUSINESS STRATEGIES

Focusing on the belief and need to “stay healthy, be happy”, we strive to meet the healthcare needs of everyone by providing different products. Built upon years of experience, we have been developing and promoting a wide range of health and wellness products that cater to the needs of customers from different age groups. We intend to strengthen our position as a leading developer and retailer of health and wellness products and continue to grow our revenue and profit. To achieve this goal, we plan to pursue the following strategies:

We target to further expand our sales network to cover additional geographic areas, in particular, the market in China

We intend to leverage our success in establishing our extensive sales network and diversified sales channels and further expand to cover additional markets. We plan to conduct in-depth market research on the income levels and consumer preferences in each of our target geographic areas, and to set up appropriate sales channels based on such market research. With reference to such market research, we intend to modify and replicate our diversified sales channels to the target areas, in particular the market in China, to meet the needs of consumers there. We intend to expand our business operations in China by opening at least 100 retail outlets in the next three years, in particular focusing our expansion in major cities where there are high concentrations of our target customers including cities with aging populations, above-average household income and high urbanization rate. In a series of steps to achieve this target, we are in negotiation with various department stores regarding the opening of consignment counters in the PRC. We have entered into a non-legally binding memorandum of understanding with Tianjin Pharmaceutical Group Jingyitang Chained Company Limited (天津醫藥集團敬一堂連鎖股份有限公司) (“TJ Jingyitang”) for setting up consignment counters located in its pharmaceutical retail chain stores in the PRC. TJ Jingyitang is a non-wholly owned subsidiary of TJ Pharm PRC, the sole shareholder of TJ Pharm SG which is one of our Pre-IPO Investors. In addition, we have entered into a non-legally binding memorandum of understanding with Parkson Retail Development Co., Ltd, Beijing Sun Palace branch (百盛商業發展有限公司北京太陽宮店) (“Parkson Beijing”) for setting up consignment counters located in its department stores in the PRC. Parkson Beijing is an Independent Third Party and an indirect non-wholly owned subsidiary of Parkson Retail Group Limited (百盛商業集團有限公司) which is a company listed on the Stock Exchange (stock code: 3368). We have also entered into a non-legally binding memorandum of understanding with New World Department Store Investment (China) Co., Ltd., (新世界百貨投資(中國)有限公司) (“New World Investment”) for setting up consignment counters located in its department stores in the PRC. New World Investment is a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the New World Department Store China Limited (新世界百貨中國

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有限公司) which is a company listed on the Stock Exchange (stock code: 825). Subject to then market conditions and pursuant to the above mentioned cooperation, our Directors intend to open 29 consignment counters in the PRC by 2013 with TJ Jingyitang, the affiliated companies of Parkson Beijing and New World Investment. The Group intends to expand its sales network with additional consignment counters in the PRC via the network of existing department stores by leveraging its current relationships with those department store operators and the network of new department stores and large retail chain operator such as Parkson Beijing, New World Investment, and Tianjin Jingyitang. We will also cooperate with various financial institutions to expand our sales network in China, in particular corporate sales.


In addition to the market in China, we intend to work closely with international customers who are experienced in and familiar with their respective target overseas markets. Our international customers' distribution network covered countries in different regions in the world, including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary during the Track Record Period. We intend to closely manage such sales channels to ensure that their standards of services are consistent with those of our own. We believe that this strategy will enable us to develop new markets, enhance recognition of our brands and increase our revenue and profitability.

Based on our expansion plan in the PRC market, a majority of our Group's new retail outlets will be consignment counters. According to the PRC Legal Advisers, we are not required to apply for change of business scope to include "retail" nor to obtain additional operating licenses or approval for sales at consignment counters. For the opening of retail stores in the PRC, our Group will need to apply for the change of OTO Shanghai's business scope and obtain permit from the competent MOFCOM local branch and the business license for establishing each retail store. The scope of business as stated in OTO Shanghai's current business license and approval certificate does not include "retail", which is necessary for opening retail stores in the PRC. Our PRC Legal Advisers are of the view that our Group is required to apply for the change of business scope according to the relevant PRC laws and regulations. Our Group is currently in the process of applying for the relevant changes and operating licenses for its retail stores. In order to complete the application and change, we are required to obtain relevant documents from the landlord of the planned retail store in Shanghai, which is currently pending. Based on recent discussions with the landlord of the planned retail store in Shanghai and our Group's PRC Legal Advisers, our Directors do not foresee any practical difficulty in obtaining the required operating license or approval for the opening of its retail stores in the PRC by the first half of 2012 because in any event the Group may locate and lease another suitable retail location from another landlord and complete the application and change.


Although our Group has a relatively short operating history and experience as a retailer in the PRC market, our Directors are confident about its expansion into the PRC market due to the success in OTO Shanghai which generated approximately RMB8.4 million in revenue and approximately RMB0.8 million in net profit for the year ended 31 March 2011 with only six months of operation and six consignment counters as at 31 March 2011. As at the Latest Practicable Date, our Group has further opened an additional seven retail outlets since 31 March 2011 and our Group plans to invest approximately HK\$20.0 million from the proceeds of the Global Offering for the advertising and promotional activities in the PRC and HK\$16.0 million for recruitment of additional sales and marketing staff to provide first-class customer service and further enhance our "OTO" brand value.


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We will further expand and diversify our product offerings

To further penetrate the Hong Kong, Macau, the PRC and overseas markets, we will continue to focus our strategy to design and develop new products to expand our current product mix, and to increase the diversities of our product offerings to better cater to a wider and diverse customer base. We believe that it is vital in maintaining our established market share and competitive advantage in the markets in which we currently operate. We plan to continue to design and develop new products under our brand name “” and make enhancements to our existing products that target consumers in Hong Kong, Macau and China. We will refine our product design and development, broaden our product offerings to meet different needs of our customers and continue to increase our market share. Our well recognized brand name “” and diversified product portfolios will enable us to cater to a wide range of customer base across our diversified sales channels and provide us with what we believe is a significant competitive advantage in our business expansion.

We will continue to enhance our “” brand value

We intend to further strengthen our established “” brand as a leading brand in the health and wellness product industry by continuing to deliver high-quality health and wellness products and after-sales service to strengthen our market image in the market. We plan to fine-tune our marketing programs to further improve brand loyalty, reputation and recognition. Our marketing, sales and promotion initiatives have included and we intend to continue to include the followings:

- Further promotion of our “” brand in Hong Kong, Macau and China via engagement of product spokespersons and advertising on television, magazines and other media;
- Continuous enhancement of the image of retail outlets;
- In-store marketing and promotions;
- Sponsorship of activities and projects relating to health and wellness;
- Roadshow sales; and
- Corporate sales.

We will further enhance our management information systems to support our growth and lower our costs

To ensure effective coordination among various aspects of our business as we expand, we intend to further enhance our management information systems, improve and integrate related management information system modules to optimize our operations and lower our costs. We intend to liaise with our information system providers to upgrade and tailor our information systems on a regular basis in accordance with the developments in our business model and operations. We believe this would enable us to record sales details and track our inventories and analyze our customers’ consumption habits in a more effective manner, which will in turn help our customer communications as well as our daily marketing and promotional activities. We also believe that an improved information system should

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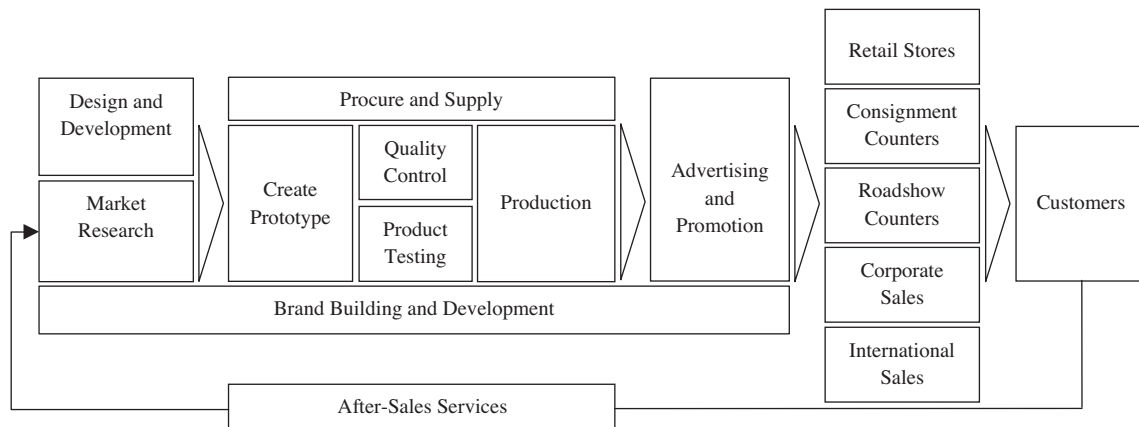
help to enhance the exchange of information between our headquarters and retail outlets as well as among our retail outlets, strengthen our supply chain management and sales and marketing, support our decision processes in product design and development, and further reduce the time-to-market of our new products. We also plan to utilize our management information systems to improve the efficiency of our logistics and lower our costs.

We will selectively pursue strategic alliances and acquisition opportunities

We intend to achieve business expansion through strategic alliances and acquisition opportunities. We will consider strategic alliances and acquisitions of other sales channels to further strengthen our sales network and to serve different customers' needs in different geographic locations when we identify suitable targets. We will also selectively consider strategic alliances and acquisitions of health and wellness product companies that complement our business. We believe that pursuing selective strategic alliances and acquisitions of companies could enhance our competitiveness and further solidify our market position. We also seek potential targets with a reputable management, a solid track record and a good operating platform. We will carefully consider and evaluate each potential strategic alliance and acquisition on its merits to ensure that our existing business platform will derive appropriate benefits. As at the Latest Practicable Date, we did not identify any suitable strategic alliance and acquisition targets.

BUSINESS MODEL

The following diagram illustrates our business model:



Product Design and Development

We conduct regular research to gather information on the latest market trends through market observation and customers' feedbacks. Our research and development team led by Mr. CS Yip consists of four staff, (i) two of whom possess more than 13 years of experience in marketing, monitoring sales activities in retail shops and technical support are assigned as our design and development coordinators for collecting market intelligence from frontline staff and end-user customers; and (ii) the other two staff, each with more than five years of experience in marketing and procurement, are allocated to work closely together with manufacturers on designs of our products. Based on

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information gathered, our design and development team will conceptualise and develop designs for new product models and upgrade existing products with advanced features which are perceived to have vast market potential. To further enhance our product design and development, we have also retained the services of a Japanese consultant Mr. Edagawa, to assist our design and development since August 2010. He previously worked as engineering advisor at a company which engaged in the selling of health products, an adviser at a Japanese company specialized in manufacturing of medical devices since 1964 and the managing director and engineer in a motor and health products manufacturing company, respectively. We had a perpetual engagement with Mr. Edagawa at a monthly consultancy fee of approximately HK\$12,000 together with reimbursement of travelling and accommodation expenses incurred in the course of his service to our Group. The consultancy fee and reimbursement amounted to approximately nil, nil, HK\$182,000 and HK\$96,000, for the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively, and such fee and reimbursement were borne by OTO Singapore during the three years ended 31 March 2011 before OTO Singapore ceased its functions of research and development. Under the consultant agreement, Mr. Edagawa is entitled to a monthly consultant fee and reimbursement of travelling and accommodation expenses incurred in the course of his service to our Group. Further details regarding services rendered by such consultant to our Group are set forth in the section headed “Relationship with Controlling Shareholders — Sharing of Research and Development Expenses” to this prospectus.

We have also engaged an external design house for certain cosmetic design functions since January 2011. For the year ended 31 March 2011 and the five months ended 31 August 2011, we paid approximately HK\$37,000 and HK\$223,000 to the design house, respectively. Under the agreement, OTO HK will own the ultimate product designs provided by the design house. Further details regarding services rendered by the external design house are set forth in the section headed “Relationship with Controlling Shareholders — Sharing of Research and Development Expenses” to this prospectus.

We then submit our designs and specifications of new products to external manufacturers for prototype development. Our product design and development team will ensure that the prototype and samples of our new products have undergone various tests and conform with our quality standards prior to the commencement of commercial production. In addition, we also seek to improve our existing designs of products by providing suggestions to external manufacturers to enhance the features and functions of our existing products. Under our product manufacturing agreement, the proprietary rights of the products developed by our research and development team belong to our Group and we shall decide the application of patent registration for such products upon anticipated market potential. As at the Latest Practicable Date, no application for patent registration was made by our Group, OTO Singapore and OTO Malaysia. Our Group had incurred research and development expenses amounting to HK\$0.7 million, HK\$1.0 million, HK\$0.9 million and HK\$0.4 million, respectively, during the Track Record Period.

Procurement and Supply

We appoint external manufacturers to manufacture all our products while we focus our resources on product design, brand building and expansion of our marketing and distribution network. We adopt stringent selection criteria in choosing external manufacturers which include, amongst others, the

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manufacturing capability and reliability, reputation and qualification in terms of manufacturing technology and experience in manufacturing similar products to those of the Group. External manufacturers are responsible for manufacturing our products based on our product designs and specifications.

Under our Group's policy, each model of our electrical products sold in Hong Kong, where such products are required to comply with the Electricity Products (Safety) Regulation, has been issued with a certificate or test report issued by a "recognized certification body" or a declaration of conformity issued by a "recognized manufacturer" or the relevant product manufacturer as stated under the Electrical Products (Safety) Regulation.

Advertising and Promotion

In line with our effort to create awareness of our brand name in the health and wellness market, we have carried out extensive advertisements and promotional campaigns to enhance our market presence. We conduct direct advertising through television, radio, newspaper, magazine, advertising posters and billboard displays, in-store displays and window displays at retail stores and department stores, direct mailer programs with major organisations and joint promotion and special offer programs with financial institutions as well as indirect advertising through the appointment of product spokespersons. In addition, we offer promotion packages and free gifts to entice customers to purchase our products.

Retailing and Distribution


Our headquarters in Hong Kong is responsible for centralizing and placing purchased orders on behalf of all product orders received from retail stores, consignment counters, road shows, corporate customers and international customers to respective external manufacturers. External manufacturers will deliver our products to our warehouse in Hong Kong and we will then further distribute the products through our in-house logistic team to retail stores, consignment counters and roadshow counters. Products which are sold to corporate customers and international customers may be delivered directly from our external manufacturers to the respective corporate customers and international customers. While we usually bear the cost of delivery to our corporate customers, the delivery and shipping costs from shipping ports to the customers for International Sales are usually born by our international customers.

Delivery and After-Sales Services

We provide quality and efficient after-sales services to our customers as we believe that is an integral part of our brand value. In order to achieve quality after-sales services, we have a team of skilled engineers and technicians who can respond swiftly to any servicing and repair orders demanded by our customers. Our customers can contact our dedicated servicing hotline to arrange for on-site after-sales services for items such as massage chairs. We also have a customer relationship management system to capture and maintain our customers' data. Our customer service management system also captures customers' feedbacks on our products which will assist us in our product design and development.

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BRAND

We have a leading self-owned brand name “” and all our products are sold under this brand. We started to sell our products under the brand name “OTO” since 1995 in Hong Kong and through more than 15 years of development, “OTO” has become one of the leading brands in the health and wellness market in Hong Kong and Macau.

The “OTO” trademark has been registered in a number of countries, including Hong Kong, Macau, China, Singapore, Malaysia, and other jurisdictions. Further details of our trademark “OTO” and other trademarks owned by us are set out in Appendix VI of this prospectus. OTO HK was the initial registered owner of the trademark “OTO” in Hong Kong in 2002. In 2005, OTO HK transferred the trademark “OTO” to OTO Singapore for facilitating and centralising the management of “OTO” trademarks. During the Track Record Period, we were granted the right to use the trademark “OTO” by OTO Singapore at no cost. On 30 June 2011, OTO Singapore assigned and transferred the ownership and underlying rights and interests in connection with the registration and application of the trademark “OTO” and other related trademarks in all jurisdictions to us at nominal consideration of HK\$1. As our business and operation do not include those of OTO Singapore and OTO Malaysia, in consideration of the assignment and transfer of the trademark “OTO” by OTO Singapore to us at nominal consideration, we have granted a non-exclusive and non-transferable license to OTO Singapore and OTO Malaysia to use our trademark “OTO” and other related trademarks in Singapore and Malaysia at a nominal consideration of HK\$1 for an initial term of 20 years. Further details regarding the business relationship between OTO Singapore and OTO Malaysia and us are set out in the section headed “Relationship with Controlling Shareholders” of this prospectus.

PRODUCTS

Our products can be broadly divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. The following table sets forth our revenue, gross profit (being revenue minus its cost of goods sold) and gross profit margin by product category for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	% of	% of	% of	% of	% of	% of	% of	% of	% of	
	HK\$'000	Revenue	HK\$'000	Revenue	HK\$000	Revenue	HK\$'000	Revenue	HK\$'000	Revenue
	(unaudited)									
Relaxation products.....	118,547	82.2	258,127	89.2	162,962	77.8	75,673	89.0	64,267	64.3
Fitness products	13,189	9.1	12,901	4.5	37,821	18.1	5,289	6.2	15,377	15.4
Therapeutic products	9,508	6.6	13,248	4.6	5,993	2.9	2,469	2.9	18,790	18.8
Diagnostic products.....	2,985	2.1	5,007	1.7	2,626	1.2	1,632	1.9	1,468	1.5
Total	<u>144,229</u>	<u>100.0</u>	<u>289,283</u>	<u>100.0</u>	<u>209,402</u>	<u>100.0</u>	<u>85,063</u>	<u>100.0</u>	<u>99,902</u>	<u>100.0</u>

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	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	Gross profit (HK\$'000)	Gross profit margin (%)	Gross profit (HK\$'000)	Gross profit margin (%)	Gross profit (HK\$000)	Gross profit margin (%)	Gross profit (HK\$'000)	Gross profit margin (%)	Gross profit (HK\$'000)	Gross profit margin (%)
	(unaudited)									
Relaxation products	89,313	75.3	186,594	72.3	112,986	69.3	54,991	72.7	42,462	66.1
Fitness products	7,475	56.7	6,849	53.1	28,976	76.6	3,550	67.1	10,243	66.6
Therapeutic products	5,910	62.2	7,248	54.7	3,012	50.3	1,646	66.7	13,249	70.5
Diagnostic products	1,680	56.3	2,888	57.7	1,607	61.2	997	61.1	880	60.0
Total	<u>104,378</u>	<u>72.4</u>	<u>203,579</u>	<u>70.4</u>	<u>146,581</u>	<u>70.0</u>	<u>61,184</u>	<u>71.9</u>	<u>66,834</u>	<u>66.9</u>

As at the Latest Practicable Date, we had a total of 49 models of relaxation products, seven models of fitness products, 11 models of therapeutic products and ten models of diagnostic products being offered to our customers.

The following is a brief description of our key products:

Relaxation products



OTO Power Tap (揸揸鬆)

Functions: Relaxing shoulder and neck muscles and easing aches and pains, and also suitable for massage of mid-back, waist, calf and thigh



OTO e-Lux (腰背鬆)

Functions: Multi-functional massager which provides kneading and vibration to enhance blood circulation for waist and back

BUSINESS



OTO Master Sense (型品按摩椅)

Functions: Provides a unique combination of kneading, rolling and tapping massage at a preset speed, sequence and intensity on the full body, from head to toe with airbags squeezing at the hips, seat and lower legs



OTO Power Foot (「按滿足」拍翼式腳部按摩器)

Functions: Roller wheels and unique compressed airbags for foot and leg massage



OTO Cyber Wave (零重力按摩椅)

Functions: Provides nine auto programs, six massage modes, five targeted air pressure programs, two zero gravity positions, and 48 strategically placed air bags which can offer 360-degree enjoyment from head and neck to back, tips of fingers and sole of feet



OTO e-Cuddle (頸肩鬆)

Functions: Provides massage and heat therapy which helps to improve blood circulation and relieve tension on neck, shoulder, waist and other parts of the body.

We provide various relaxation products to massage superficial and deeper layers of muscle and connective tissue to enhance blood circulation, aid in the healing process, and promote relaxation and well-being. Our relaxation products include various models of massage chairs, neck and shoulder massagers, back massagers, waist massagers and foot massagers, which generate massage effects to different parts of a human body from head to toe.

BUSINESS

Fitness products



OTO Zooozh Bike (摺合式磁控單車)

Functions: Provides cardiovascular exercise which helps strengthening heart and lung functions, enhancing blood circulation and alertness



OTO FLABÉLOS (搖擺健身機)

Functions: Improves stamina and blood circulation as well as muscle endurance and flexibility by providing nine different exercising postures



OTO Cruncher (織形 5 分鐘)

Functions: Combines a pull up together with a crunch or sit-up into one smooth easy movement which contracts abdominal muscles, squeezes hip, tone thighs and clenches up muscles in arms and shoulders



OTO Trimax (穴位迴旋修身帶)

Functions: Specifically designed to stimulate acupuncture points for weight loss, digestion and detoxification

Our fitness products include various models of crunchers, slimming belt, and various models of indoor bikes and fitness equipment. Among our various models of fitness products, our crunchers transform and combine exercises into simple movements and provide an effective muscular and cardiovascular workout for different parts of the body.

BUSINESS

Therapeutic products



OTO e-Physio (超級e足健)

Functions: Compact physiotherapeutic device based on traditional foot reflexology and acupuncture theories, which helps enhancing blood circulation and is commonly used for relieving muscles pain and discomfort and relax aching and stiff muscles



OTO e-Cell (e-細胞)

Functions: Three different waveforms are integrated into a treatment sequence that centered around three stimuli to correspond to the phases of tissue repair, which complements the body's own process of tissue regeneration following injury

Our therapeutic products include various models of acu-points and nerve stimulators using electric pulses, which work on the principles of acupuncture, and are designed to help users to improve blood circulation and relieve tiredness and pains at different parts of the body.

Diagnostic products



OTO Digital Blood Pressure Monitor
(手臂式血壓計)

Functions: Made to comply with the European standards as well as the Ministry of Health & Social Welfare (Japan) specification, to provide instant measurement of blood pressure



OTO Infrared Ear Thermometer
(耳穴溫度計)

Functions: By using infrared measurement to provide an automatic temperature correction and instant measurement of body temperature

BUSINESS



OTO Body Fat and Water Monitor
(身體水份測脂磅)

Functions: Measures body fat and water rate in the body by entering the user's height, gender and age



OTO 6-in-1 Thermometer
(6合1耳穴溫度計)

Functions: Measures room temperatures and body temperatures, and provides other functions such as the stop watch for measuring heartbeat and fever alarm for alertness

Our diagnostic products include various models of digital blood pressure monitor, body fat and water monitor, and thermometers. Among our various models of diagnostic products, our digital blood pressure monitors are made to European standards as well as the Ministry of Health & Social Welfare (Japan) specification, which gives one valuable information to obtain a stable blood pressure profile and is a way to keep high blood pressure in check.

Products under development

Our design and development team collects market data from different markets and analyzes them in detail. On average, we provide our customers with ten to 15 new health and wellness products including three to four new key products each year. As at Latest Practicable Date, we had 14 key products including eight relaxation products, two fitness products, two therapeutic product and two diagnostic products under development. We intend to select such key products under development to be launched to the market for the two years ending 31 March 2013.

Product Lifecycle

Generally, our key products cover a lifecycle of approximately four to five years, subject to the nature of products and market demand. When the new key products are first launched to the market, extensive advertisement and promotional campaigns through television, newspaper, magazine and/or engagement of spokespersons will be carried out ranging from approximately two to three months. The key products will first be sold mainly through our retail outlets for a period of about one to two years, and later be channeled to our corporate sales channel and International Sales, which will last for another two to three years.

BUSINESS

SALES AND DISTRIBUTION

We have diversified sales channels with a wide geographic coverage, which enables us to integrate a full range of products under our brand name “OTO” to cater to the consumption levels and habits of different consumers in Hong Kong, Macau and China. We conduct our sales through (i) traditional sales channels, including (a) retail stores; and (b) consignment counters; and (ii) proactive sales channels, including (a) roadshow counters; (b) corporate sales; and (c) International Sales.

The following table sets forth our revenue under each of our sales channels for the periods indicated:

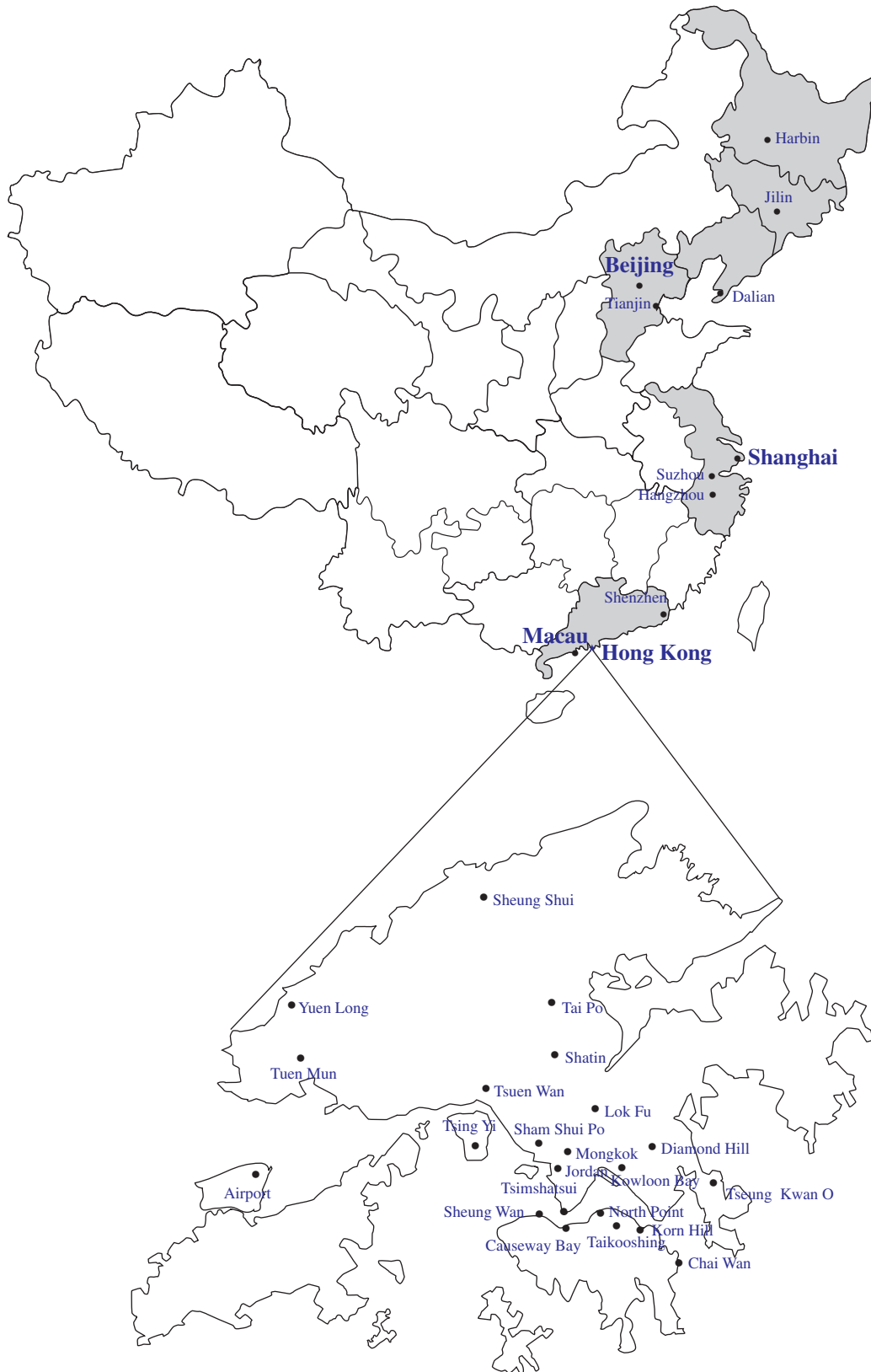
	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$000	% of Revenue	HK\$'000 (unaudited)	% of Revenue	HK\$'000	% of Revenue
Retail stores.....	66,743	46.3	129,521	44.8	90,736	43.4	38,138	44.8	41,527	41.6
Consignment counters	59,714	41.4	103,697	35.8	78,393	37.4	35,003	41.2	35,205	35.2
Roadshow counters.....	4,193	2.9	14,121	4.9	11,555	5.5	2,350	2.8	2,971	3.0
Corporate sales	8,405	5.8	33,736	11.7	16,562	7.9	6,065	7.1	9,555	9.6
International Sales.....	5,174	3.6	8,208	2.8	12,156	5.8	3,507	4.1	10,644	10.6
Total.....	144,229	100.0	289,283	100.0	209,402	100.0	85,063	100.0	99,902	100.0

Our retail network

We operated our retail network mainly through our self-managed retail stores and consignment counters. As at the Latest Practicable Date, we had 14 retail stores and 16 consignment counters in Hong Kong; one retail store and two consignment counters in Macau and 14 consignment counters in China, covering major cities including Beijing, Shanghai, Suzhou, Dalian, Tianjin, Hangzhou, Shenzhen, Jilin and Harbin. Our retail outlets are primarily located in shopping malls and department stores. In addition to retail stores and consignment counters, customers may also purchase our health and wellness products through our roadshow counters.

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The following map sets out the distribution of our retail stores and consignment counters by geographic region as at Latest Practicable Date:



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The following table sets forth the number and total gross floor areas of our retail stores and consignment counters for the periods indicated:

	As at 31 March						As at 31 August	
	2009		2010		2011		2011	
	Number	Total areas (m ²)	Number	Total areas (m ²)	Number	Total areas (m ²)	Number	Total areas (m ²)
Hong Kong								
Retail stores	15	954.85	15	955.04	15	897.71	15	897.71
Consignment counters	14	428.93	15	448.44	16	443.99	16	443.99
Macau								
Retail stores	1	122.72	1	122.72	1	122.72	1	122.72
Consignment counters	1	41.81	2	52.03	2	52.03	2	52.03
China (Note)								
Consignment counters	—	—	—	—	—	—	10	553.87
Total	31	1,548.31	33	1,578.23	34	1,516.45	44	2,070.32

Note:

We have extended our sales network to China since 29 June 2011 by acquiring the entire issued share capital of OTO Shanghai. Before such extension, our health and wellness products were sold to the market in China through international customers and being accounted for as part of our International Sales. As at Latest Practicable Date, we had a total of 14 consignment counters with a total area of 611.10 m² in China.

The following table sets forth the number of retail stores and consignment counters opened and closed for the periods indicated:

	For the year ended 31 March									For the five months ended 31 August		
	2009			2010			2011			2011		
	Opened	Closed ⁽¹⁾	Total	Opened	Closed ⁽²⁾	Total	Opened	Closed ⁽³⁾	Total	Opened	Closed	Total
Hong Kong												
Retail stores	—	1	15	1	1	15	1	1	15	—	—	15
Consignment counters .	—	—	14	1	—	15	2	1	16	—	—	16
Macau												
Retail stores	—	—	1	—	—	1	—	—	1	—	—	1
Consignment counters .	—	—	1	1	—	2	—	—	2	—	—	2
China ⁽⁴⁾												
Consignment counters .	—	—	—	—	—	—	6	—	6	4	—	10
Total	—	1	31	3	1	33	9	2	40	4	—	44

Notes:

- The closure of the retail store in 2009 was due to increase in rental and decrease in customer traffic which resulted in slow down in revenue growth.

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2. The closure of the retail store in 2010 was due to increase in rental and decrease in customer traffic which resulted in slow down in revenue growth.
3. The closure of the retail store in 2011 was due to relocation and the closure of consignment counter was due to closure of the department store.
4. We have extended our sales network to China since 29 June 2011 by acquiring the entire issued share capital of OTO Shanghai. Before such extension, our health and wellness products were sold to China through international customers and being accounted for as our revenue under our international stream. Upon completion of the acquisition of OTO Shanghai, OTO Shanghai became our indirect wholly-owned subsidiary. The six consignment counters were opened by OTO Shanghai during the year ended 31 March 2011 but before our acquisition on 29 June 2011.

Retail stores

Our retail stores are individual stores which are primarily located at premium shopping malls at commercial and/or residential areas where consumers' spending power and demand for health and wellness products are expected to be high. Our retail stores generally range from approximately 400 square feet to 1,000 square feet in area. They typically have larger display areas as compared to our consignment counters and are free-standing, which allow us more flexibility to carry out promotional activities. The full line of our "OTO" brand products are sold at our retail stores, including our relaxation products, fitness products, therapeutic products and diagnostic products. Sales from our retail stores accounted for approximately 46.3%, 44.8%, 43.4% and 41.6% of our revenue, respectively, for each of the three years ended 31 March 2011 and the five months ended 31 August 2011.

All our retail stores are managed by ourselves. We bear all the costs for their operations and we recognise our sales when our products are sold to retail customers. As at Latest Practicable Date, we leased 17 retail premises, all in Hong Kong, Macau and the PRC, for our retail stores. According to our historical record, it generally takes approximately eight months from the establishment for a retail store in Hong Kong and Macau to breakeven. In addition, it is expected that it will take approximately six months from the establishment for a retail store in the PRC to breakeven. As at the Latest Practicable Date, the Group was in the process of applying for the relevant changes and operating licenses for the retail store in the PRC. Further details are set forth in the subsection headed "We target to further expand our sales network to cover additional geographic areas, in particular the market in China" in this prospectus. In general, landlords of such premises charge us a fixed monthly rental and/or a monthly rental based on a percentage of our actual revenue for that month, whichever is higher. Further details of our leased premises, including the rental amounts and/or calculation percentages, are set out in "Appendix IV — Property Valuation" to this prospectus.

Consignment counters

Our consignment counters are located at premium department stores in Hong Kong, Macau and China. We entered into consignment agreements with sub-contractors and operators of department stores, pursuant to which they allocate to us certain store space for the display and sale of our products. The areas of our consignment counters generally range from 100 square feet to 600 square feet. Our consignment counters mainly carry our best selected health and wellness products. Sales from our consignment counters accounted for approximately 41.4%, 35.8%, 37.4% and 35.2% of our revenue, respectively for each of the three years ended 31 March 2011 and the five months ended 31 August 2011.

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During the Track Record Period, we had a total of 15, 17, 18 and 28 consignment counters in Hong Kong, Macau and the PRC, respectively. As at the Latest Practicable Date, we had a total of 31 consignment counters, all in Hong Kong, Macau and the PRC. According to our historical record, it generally takes approximately three to six months from the establishment for a consignment counter in Hong Kong, Macau and the PRC to breakeven. Our consignment counters are managed by ourselves. We bear all the costs for their operations and we recognise our sales when our products are sold to our retail customers. In Hong Kong and Macau, sales persons are our employees assigned to consignment counters. In China, we retain sales supervisors as our employees while other sales persons are employees of operators of the department stores and we are responsible to reimburse the operators of the department stores the remuneration of such sales persons under the consignment agreements. Our consignment agreements with sub-contractors and operators of department stores also include the following principal terms:

- *Location and size of areas for consignment counters* — We are typically authorised to open our consignment counters under our brand name “OTO” in department stores.
- *Deposits* — In our consignment agreements, we are required to pay deposits as security deposit for the due performance of our obligations under the relevant consignment agreement before occupying their consignment counters. The deposit is refundable without interest typically 30 days after expiration or early termination of the relevant consignment agreement provided that there is no breach of the terms by us resulting in deduction of such deposit pursuant to the relevant consignment agreements.
- *Consignment fees* — Consignment fees are typically calculated as a percentage of our monthly gross sales, or a minimum fixed fee, whichever is higher.
- *Sharing of promotion costs* — Operators and sub-contractors of department stores are generally responsible for promotional advertisement and decoration of department stores. We are typically required to actively participate in promotional events of department stores. The sharing percentage or fixed amount of promotion costs is generally decided through consultations between parties. We are generally required to obtain written approval from operators and sub-contractors of department stores before we can conduct our own promotional events at our own cost.
- *Arrangement of settlement* — Operators and sub-contractors of department stores are required to first collect the payment from sales invoices issued to retail customers. After deduction by the operators of department stores of the consignment fees and other fees we are required to pay pursuant to the relevant consignment agreements from the gross sales proceeds, the operators and sub-contractors will pay the balance thereof to us within the pre-agreed payment period, which is typically 30 days to 90 days.
- *Duration* — Our consignment agreements generally have a term of one year or on a monthly basis which may be renewed by the parties based on factors, including our evaluation of the performance of consignment counters as well as market conditions.

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- *Product liability and insurance* — Our consignment agreements generally require us to indemnify the licensor against product liability in respect of unsafe and defective products sold and displayed by us in the licensed area, and maintain product liability insurance for adequate coverage against any loss or claim. We are also required to effect adequate insurance at our own cost to cover all the eventualities which may attract liability by reason of our conducting business on the licensor's premises.
- *Termination* — Our consignment agreements can generally be terminated by either party by serving the other party prior written notice of typically not less than one to three months. In certain instances, operators and sub-contractors of department stores are entitled to terminate the consignment agreement without cause or, if, among other circumstances, we breach the terms of the relevant consignment agreement or fail to meet certain sales targets or if our products are defective.

Roadshows

Roadshows are held almost every week in different department stores and shopping malls and we aim to conduct roadshows every month. Further, as our Directors expect that our peak sales periods typically occur around key holidays observed in Hong Kong and China, including Mother's Day and Father's Day, we may hold roadshows simultaneously in more than one location around such periods. As such, we will enter into short-term license agreements with operators of shopping malls and department stores for renting of temporary roadshow counters for the display and sale of our health and wellness products. The areas of our roadshow counters range from 100 square feet to 1,000 square feet. Our roadshow counters mainly carry out our best selected products. Sales from our roadshow counters accounted for approximately 2.9%, 4.9%, 5.5% and 3.0% of our revenue, respectively, for each of three years ended 31 March 2011 and the five months ended 31 August 2011.

All our roadshow counters are managed by ourselves. We bear all the costs for their operations and we recognise our sales when our products are sold to our retail customers. For each of the three years ended 31 March 2011 and the five months ended 31 August 2011, we conducted 23, 79, 78 and 33 roadshows at various locations in Hong Kong. The terms of the license agreements for our roadshows are similar to those of our retail stores and consignment counters, except that (i) the duration is generally for a short period ranging from three days to 14 days; and (ii) the rental is based on a percentage of our revenue generated from our roadshows ranging from approximately 25.0% to 30.0% or fixed rentals ranging from HK\$10,000 to HK\$90,000.

Corporate sales

In addition to our retail network, we also offer corporate sales to our customers through sales to (i) financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank and DBS Bank; (ii) retail chain stores, including Mannings; and (iii) professional bodies, including a teachers' union, a nursing staff's union, and chinese civil servants' union in Hong Kong. Our products may be offered by such financial institutions and retail chain stores as welcome gifts and redemption products under their loyalty programs. Our products may also be sold to such enterprises and organizations for their forward sales to their members or customers. During the Track Record Period, we had an aggregate of seven, 16, 53 and 51 corporate customers, respectively under our corporate sales channel.

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All our direct sales to corporate customers are handled by our headquarters in Hong Kong. We recognise our sales when our products are sold to our corporate customers. In general, we offer our corporate customers a credit period of 30 days to 90 days in order to maintain the established business relationship with them.

International Sales

In addition to the markets in Hong Kong, Macau and China, we have also been selling our products to the overseas markets since 2005. In relation to our export business, we sell our products to certain international customers for their subsequent distribution network in the overseas markets and in general, our international customer are responsible for the relevant custom duties and taxes. For each of the three years ended 31 March 2011 and the five months ended 31 August 2011, we had a total of six, 19, 16 and 16 international customers, respectively, under our export operations.

Our international customers' distribution network covered countries in different regions in the world, including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary during the Track Record Period. Before October 2010, our health and wellness products were sold to China through international customers and being accounted for part of our International Sales. We extended our retail network to China since 29 June 2011 following the completion of our Group's acquisition of OTO Shanghai. We recognise our sales when our products are sold to our international customers.

OUR CUSTOMERS

Our "OTO" branded products mainly target two niche markets, namely the cosmopolitan group and the aging group. Consumers in the cosmopolitan group are characterized by people over the age of 30 who work long hours, are stressed and tired, and have health and wellness needs. Consumers in the aging group are characterized by people over 50 years old who have spending power and are concerned about health. We have also developed fitness products under the "OTO" brand name targeting young adult group over the age of 20, with the aim to promote and educate young adults on health and fitness.

Our five largest customers accounted for approximately 7.2%, 11.7%, 7.4% and 10.3% of our total revenue for each of the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively, while our largest customer accounted for approximately 1.9%, 8.6%, 3.7% and 3.5% of our total revenue for those respective periods. None of our Directors, chief executive or any person who, to the knowledge of our Directors, own more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five customers during each of the three years ended 31 March 2011 and the five months ended 31 August 2011.

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Our customers include retail customers, corporate customers and international customers. The following table sets forth our revenue from sales to our retail customers, corporate customers and international customers, respectively, for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010 (unaudited)		2011	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue
Retail customers ^(Note 1)	130,650	90.6	247,339	85.5	180,684	86.3	75,491	88.8	79,703	79.8
Corporate customers.....	8,405	5.8	33,736	11.7	16,562	7.9	6,065	7.1	9,555	9.6
International customers ^(Note 2) ..	5,174	3.6	8,208	2.8	12,156	5.8	3,507	4.1	10,644	10.6
Total	<u>144,229</u>	<u>100.0</u>	<u>289,283</u>	<u>100.0</u>	<u>209,402</u>	<u>100.0</u>	<u>85,063</u>	<u>100.0</u>	<u>99,902</u>	<u>100.0</u>

Note 1: Retail customers set out herein includes retail stores, consignment counters and roadshow counters.

Note 2: Before October 2010, our health and wellness products were sold to China through international customers and being accounted for part of our International Sales. We have extended our sales network to China since 29 June 2011 following the completion of our Group's acquisition of OTO Shanghai.

At the request of our customers, we may offer trade-in arrangement on a case by case basis and after obtaining approval from our management. Customers can only trade in massage chairs for any one of our products with retail price over HK\$20,000. During the Track Record Period, we had 68 trade-in arrangements with an aggregate trade-in value of HK\$136,000.

Corporate customers

Our corporate customers are all Independent Third Parties including (i) financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank and DBS Bank; (ii) retail chain stores, including Mannings; and (iii) professional bodies, including a teachers' union, a nursing staff's union, and chinese civil servants' union in Hong Kong.

We sell our products to our corporate customers on a wholesale basis. Generally, our corporate customers are responsible for the sale or subsequent distribution of products and generally not allowed to be refunded and/or to return the products they have purchased from us unless there are quality defects.

Our corporate customers place their orders with us on an order-to-order basis. We will also communicate with our corporate customers from time to time to understand their demands as well as their promotion plans. We seek to offer our corporate customers premium/gift products and join their promotion plans to build up our brand image.

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International customers

For our export business, we sell our products to international customers for their subsequent sales network to end-user customers in their respective overseas markets. Our international customers are all Independent Third Parties.

We sell our products to our international customers on a wholesale basis and we are not responsible for the operation of their retail outlets or their customers' retail outlets. Generally, our international customers are responsible for the sale of and generally not allowed to return the products they have purchased from us unless there are quality defects.

We select our international customers according to a series of criteria which we believe are important to our operation of the sales network and establishment of broad market coverage. We typically consider the experience of our international customers in wholesaling and retailing of health and wellness products and their abilities to maintain existing and develop new distribution channels. We also make assessment on their historical sales performance, their market positions and their sales and financial capabilities. We believe we have established good and stable relationships with our international customers.

We also perform periodic assessment on our international customers to evaluate their operation performance which covers effectiveness of their customer service and after-sales service including repair service during and after warranty period provided by them in their respective jurisdictions. Our international customers are required to set up adequate repairing service centers for their customers and we will assist in providing training to their customer service team and technicians. The training would normally cover basic product features, sales skills, specific skills in resolving technical problems and spare parts management to respond swiftly to repair orders. We have also established a feedback system which enable end-user customers to contact us directly via information provided on packaging box and we would then liaise with our international customers for review. Our international customers do not have any sub-distributors and our products are distributed by our international customers to end-users by themselves.

For each of the three years ended 31 March 2011 and the five months ended 31 August 2011, we had six, 19, 16 and 16 international customers, respectively, comprising of both distributors, for subsequent distribution to end-user customers, and international corporate customers, which purchased our products for their corporate premium gift or business promotion. We had two, three, nine and seven international customers who were distributors during each of the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively. There was no termination of agreement with our international customers during the Track Record Period. We monitor our sales to international customers regularly by reviewing the volume of each product item sold to them per shipment and quarter. We also enquire our customers on unusual large quantities of purchase orders to ensure no unreasonable accumulation of inventory at their level. The Directors confirm that sales to international customers are without any recourse and credit terms are determined per shipment or on a case-by-case basis.

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Our international customers are allowed to sell our products provided to them under our “OTO” brand to end-user customers. Apart from product defects caused by quality issues, our international customers are generally not allowed to return the products they purchased from us. We enter into an agreement with each of our appointed international customers which generally includes the following principal terms:

- Designated geographical areas — Our international customers are generally authorised to sell our products within designated geographical areas. They are not allowed to sell our products outside the designated geographical areas or to their knowledge the customer will resell the products outside the designated geographical areas.
- Brands and products — Our international customers are authorised to sell our products under our “OTO” brand but they shall not hold themselves out as our agents for sales of our products or as being entitled to bind us in any way. They are not allowed to sell products or any goods which compete with our products for sale, marketing or promotional purposes from any other third parties.
- Sales and targeted purchase volume — We set sales and targeted purchase volume for our international customers. Such volume varies according to different designated geographical areas of the international customers. If our international customers do not fulfill the sales and targeted purchase volume, we are entitled to terminate the agreement with the relevant international customer.
- Passing of risk — Risk of loss of or damage to our products shall pass to our international customers from the time we hand over the products to their appointed agent and our sales to international customers are recognized upon shipment to them.
- Inventory check — Our international customers shall check their stocks monthly to ensure an adequate stock of our products to meet the expected needs of the market and to keep accurate and separate accounts in respect of supply of our products.
- Payment — Our international customers are responsible for the sale of products and accountable for their own profit and loss. They shall also be liable for arranging and paying all costs of transport, insurance, value-added or other tax.
- Duration — The distribution agreement generally has a term of two years which may be renewed based on the sales performance of and relationship with the international customers.
- Termination rights — We are entitled to terminate the agreement for our international customers’ non-compliance with the terms under the agreement, including their failure to follow our sales policy and minimum purchase volume.

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PRODUCT DESIGN AND DEVELOPMENT

We have our own dedicated product design and development team for our new products under the “OTO” brand. Our product design and development and procurement team works together with our external manufacturers to create designs for our current and upcoming health and wellness products. It is our strategy to design, develop and launch ten to 15 new health and wellness products including three to four new key products to the market each year. Our product design and development process comprises mainly of the following stages:

Research

Our product design and development team which is led and inspired by Mr. CS Yip, collects market data from both domestic and international markets, past sales performance, customer surveys, competitive landscape, and feedback from our sales staff. The team then analyzes all the information in detail to understand customer preferences and market trends.

Product design and development

Based on results from research, our design and development team develops the technology and know-how in relation to the new product. Our research and development team led by Mr. CS Yip consists of four staff, of which (i) two staff possess more than 13 years of experience in marketing, monitoring sales activities in retail shops and technical support are assigned as design and development coordinators for collecting market intelligence from frontline staff and end-user customers; and (ii) the other two staff, each with more than five years of experience in marketing and procurement are allocated to work closely together with manufacturers on designs of our products.

To further enhance our design and development, we have also retained the services of a Japanese consultant, Mr. Edagawa, to assist our design and development since August 2010. He had previously worked as an engineering advisor in a company engaged in selling health products, an advisor in a Japanese company specialized in manufacturing medical devices and a managing director and engineer in a motor and health products manufacturing company, respectively. We have a perpetual engagement with Mr. Edagawa at a monthly consultant fee of approximately HK\$12,000 and reimbursement of travelling and accommodation expenses incurred in the course of his service to our Group. The consultancy fee and reimbursement paid to him amounted to approximately nil, nil, HK\$0.2 million and HK\$96,000, for the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively, which was borne by OTO Singapore during the three years ended 31 March 2011 before OTO Singapore ceased its functions of research and development. Under the consultant agreement, our Group owns all designs provided by Mr. Edagawa during the Track Record Period. Further details regarding services rendered by such consultant to our Group are set forth in the section headed “Relationship with Controlling Shareholders — Sharing of Research and Development Expenses” to this prospectus. Our product design and development team then liaises with our product manufacturers to make product samples. Our design and development team may also work directly with our product manufacturers to jointly develop new products. The cost incurred in relation to product study and technical development is principally born by product manufacturers. If our design and development team considers that the new design can be turned into our proprietary product economically, we may share the mould and tooling fee with the product manufacturers or we may apply for patent in relation

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to the new product. Under our product manufacturing agreement, the proprietary rights of the products developed by our research and development team belong to our Group and we shall decide the application of patent registration for such products upon anticipated market potential. As at the Latest Practicable Date, no application for patent registration was made by our Group, OTO Singapore and OTO Malaysia. Our Group had incurred research and development expenses amounting to approximately HK\$0.7 million, HK\$1.0 million, HK\$0.9 million and HK\$0.4 million, respectively, during the Track Record Period.

On 25 November 2011, our Group entered into an agreement for sharing of research and development expenses (“R&D Expenses”) with OTO Singapore and OTO Malaysia. Further details of the agreement are set forth in the section headed “Relationship with Controlling Shareholders — Sharing of Research and Development Expenses” in this prospectus. If the pro-forma R&D Expenses would be shared by each of our Group, OTO Singapore and OTO Malaysia for the three years ended 31 March 2011, our Group would have incurred additional amounts of R&D expenses of approximately HK\$0.15 million, HK\$0.31 million and HK\$0.35 million, respectively. Further details of the pro-forma R&D Expenses are set forth in the section headed “Connected Transactions — Continuing connected transactions subject to the reporting and announcement requirements” in this prospectus.

Procurement and supply

Based on products specifications arising from our design and development process, our design, development and procurement team will source and negotiate with suitable manufacturers with detailed terms for manufacturing, including specifications of products, quality standards, provision of guarantee, pricing and delivery dates.

MARKETING AND PROMOTION

Our marketing and promotion strategy has been and will continue be an important component of our success. We have a policy on annual spending for marketing and promotion with reference to the historical marketing and promotion expenses and our products planned to be marketed and promoted in the forthcoming year. Based on our existing size of operation, we spend approximately HK\$10.0 million to HK\$15.0 million per year on our marketing and promotion activities. For each of the three years ended 31 March 2011 and the five months ended 31 August 2011, our costs of marketing and promotion campaigns accounted for approximately 5.9%, 4.0%, 7.1% and 6.7% of our total revenue, respectively. We have implemented internal control measures in relation to formulating our marketing and promotion activities. Through estimating the impacts of such marketing and promotion activities to various factors, including our revenue, inventory, cost of goods sold and source of funding, our relevant internal departments jointly determine the pricing of our products. We also engage external legal advisers to review the terms of our marketing and promotion contracts, so as to ensure the compliance with the relevant laws and regulations. Our Directors review all the descriptions of our products in the advertising materials to ensure that they are accurate and do not contain any false or misleading information. If there are any doubts, our Directors may consult external legal advisers for their advices. Each year, our marketing and promotion team formulates a series of campaigns for the promotion of our new products. We may also engage marketing consultancy firms for their advices in sophisticating our marketing and promotion campaigns. We have implemented multi-faceted

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marketing strategies, which include engagements of product spokespersons, various forms of advertising through television, newspapers and magazines, advertising posters and billboard displays, in-store and window displays, retail sales and other promotional activities. We rely on promotional activities to increase consumer awareness of our products and to create strong brand recognition within our target markets. We emphasize the attractiveness of our in-store displays and presentations which we believe will strengthen our brand image and is critical in creating a comfortable environment for our customers. We intend to use approximately 24.4% or HK\$20.0 million of the total estimated net proceeds from the Global Offering for advertising and promotional activities in the PRC.

The following are our main marketing activities:

Engagement of product spokespersons

We seek well-known celebrities who have a friendly and healthy image to act as our product spokespersons. Since 2004, we have adopted the strategy of engaging a spokesperson for each key product we have been promoting. The following table sets out our spokespersons and the relevant products since 2004:

Year	Product	Spokesperson
2011	OTO Cyber Wave (零重力按摩椅) OTO e-Physio (超級e足健)	Fala Chen (陳法拉) Michelle Yim (米雪)
2010	OTO Power Repose (星級揉揉鬆) OTO Cruncher (纖形 5 分鐘)	Louisa So (蘇玉華) Nancy Wu (胡定欣)
2009	OTO Power Tap (揉揉鬆) OTO e-Lux (腰背鬆)	Sheren Tang (鄧萃雯) Michelle Yim (米雪)
2008	OTO e-Bliss (頸肩鬆)	Kwan Wing Ho Esther (關詠荷)
2007	OTO Master Relax Massage Chair (音樂按摩椅)	Hins Cheung King Hin (張敬軒)
2006	OTO Trimax (穴位迴旋修身帶)	Karen Mok (莫文蔚)
2004-2005	OTO Foot Reflexologist (e足健升級版)	Nancy Sit (薛家燕)

Customer loyalty programs

We offer customer loyalty programs periodically by providing cash coupons of different face values ranging from HK\$200 to HK\$1,000 which are not convertible into cash to customers upon initial purchases in retail outlets in Hong Kong and Macau. Customers are encouraged to make additional purchase with the cash coupons to be redeemed before the expiry date, which is usually 90 days after the initial purchase and to be used on selected promotional items, which are subject to changes from time to time.

Sales of goods that result in award credits for customers, under our customer loyalty programs, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value - the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and our obligations have been fulfilled or the award credits expire.

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As at 31 March 2009, 2010 and 2011 and 31 August 2011, amounts of approximately nil, HK\$1.7 million, HK\$1.2 million and HK\$1.0 million, respectively, included in our trade and other payables were deferred revenue in relation to customer loyalty programs which are cash coupons expiring within 90 days after the end of each reporting date.

Media advertising

We advertise our brand and key products on television networks, newspapers and magazines.

Joint promotion with corporate customers

We work closely with our corporate customers, including credit card companies and banks, in their promotion plans, such as advertisements of their periodic privileges in using their credit cards in buying our health and wellness products. Under such joint promotion programs, holders of credit cards issued by the participating banks may purchase certain of our health and wellness products at a discounted price or pay for such purchases under interest-free instalment plans when purchase is paid for using credit cards offered by the participating banks.

Participation in exhibitions

We attend exhibitions regarding promotion of health and wellness, such as the HKTDC Gifts and Premium Fair in 2008 and HKTDC Electronics Fair in 2010. Participation in these exhibitions increases consumers' awareness and recognition of our brand and products.

Shopping mall and department store promotions

We may participate in promotions of shopping malls and department stores to take advantage of the increased number of customers visiting the shopping malls and department stores during promotional periods. We also place outdoor and indoor large-scale printed advertisements at our retail outlets and advertising boards within shopping malls.

Roadshows

Roadshows are held almost every week in different department stores and shopping malls in Hong Kong and we aim to conduct at least three roadshows in Hong Kong every month. Further, as our Directors expect that our peak sales periods typically occur around key holidays observed in Hong Kong and China, including Mother's Day and Father's Day, we may hold roadshows simultaneously in more than one location around such periods. As such, we will enter into short-term license agreements with operators of shopping malls and department stores for renting of temporary roadshow counters for the display and sale of our health and wellness products.

Customers visits

We reach out to visit our existing corporate customers and international customers in order to understand the latest market trends and to maintain customer relationships.

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AWARDS AND RECOGNITIONS

The followings are some of the significant awards and recognitions we received as at the Latest Practicable Date:

Year	Awards/Recognition	Granted by
2011	Best of the Best Award — The Best Massage Products	Capital Magazine
2011	A finalist of the Most Popular Television Commercial Award (Fashion & Beauty Category)	TVB
2007	Winner of the Most Popular Television Commercial Award (Beauty category)	TVB
2005 to 2011 ..	Certificate of No Fakes Pledge Scheme	Hong Kong Retail Management Association
2006	Best of Best Award — The Best Healthcare Products	Capital Magazine
2006	Prominent Manufacturer Award for Product Development & Industry Contribution	Global Sources Publications
2005	Outstanding Enterprise (Wellness Lifestyle)	Hong Kong Business Magazine
2004 to 2005 .	Superbrands	Superbrands Hong Kong

PRODUCT PROCUREMENT

We procure all four categories of our products mainly from manufacturers in China, Korea, Taiwan and Japan. The following table is an analysis of our respective purchase amount according to their origination of components and parts of our Group's products during the Track Record Period from manufacturers in each of the following places:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
China	30,939	80.2	48,976	59.6	40,232	67.3	14,264	62.0	24,026	76.7
Korea	1,800	4.7	27,943	34.0	14,313	23.9	7,417	32.2	6,287	20.1
Japan	1,671	4.3	877	1.1	338	0.6	198	0.8	676	2.2
Taiwan	38	0.1	170	0.2	—	—	—	—	276	0.9
Others ⁽¹⁾	4,133	10.7	4,158	5.1	4,890	8.2	1,141	5.0	44	0.1
Total	<u>38,581</u>	<u>100.0</u>	<u>82,124</u>	<u>100.0</u>	<u>59,773</u>	<u>100.0</u>	<u>23,020</u>	<u>100.0</u>	<u>31,309</u>	<u>100.0</u>

(1) Included purchase from OTO Singapore amounted to approximately HK\$3.14 million, HK\$4.16 million (excluding the purchase of parts amounted to approximately HK\$0.14 million), HK\$4.89 million and HK\$0.04 million, respectively for the three years ended 31 March 2011 and five months ended 31 August 2011.

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The following table sets forth types of products procured from manufacturers in each of the following places during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August
	2009	2010	2011	2011
China.....	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Therapeutic products • Diagnostic products 	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Therapeutic products • Diagnostic products 	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Diagnostic products 	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Therapeutic products • Diagnostic products
Korea	<ul style="list-style-type: none"> • Therapeutic products 	<ul style="list-style-type: none"> • Relaxation products • Therapeutic products 	<ul style="list-style-type: none"> • Relaxation products • Therapeutic products 	<ul style="list-style-type: none"> • Relaxation products • Therapeutic products
Japan	<ul style="list-style-type: none"> • Relaxation products • Diagnostic products • Therapeutic products 	<ul style="list-style-type: none"> • Diagnostic products 	<ul style="list-style-type: none"> • Diagnostic products 	<ul style="list-style-type: none"> • Diagnostic products
Taiwan.....	<ul style="list-style-type: none"> • Relaxation products 	<ul style="list-style-type: none"> • Therapeutic products 	—	<ul style="list-style-type: none"> • Therapeutic products
Others ⁽¹⁾	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Therapeutic products • Diagnostic products 	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Therapeutic products • Diagnostic products 	<ul style="list-style-type: none"> • Relaxation products • Fitness products • Therapeutic products • Diagnostic products 	<ul style="list-style-type: none"> • Relaxation products • Therapeutic products

(1) For the year ended 31 March 2009, others include Singapore and Australia. For the two years ended 31 March 2011 and the five months ended 31 August 2011, others include Singapore.

The following table sets forth the number of manufacturers we engaged in each of the following places during the Track Record Period:

	For the year ended 31 March			For the five months ended 31 August
	2009	2010	2011	2011
China.....	20	21	17	19
Korea.....	1	2	1	1
Japan	3	2	1	1
Taiwan	1	1	—	1
Others ⁽¹⁾	2	1	1	1
Total	<u>27</u>	<u>27</u>	<u>20</u>	<u>23</u>

(1) For the year ended 31 March 2009, others include Singapore and Australia. For the two years ended 31 March 2011 and the five months ended 31 August 2011, others include Singapore.

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We believe that this strategy allows us to devote less of our management time on monitoring the whole production process and focus our resources on key stages of the product life cycle, including product design and development, brand promotion and management, and sales and marketing. This strategy has also enabled us to avoid direct exposure to operational and financial risks and expenses of operating production facilities and managing labour, and allows us to maximise the returns on our assets. The average production time for all four product categories is approximately 30-45 days for minimum order quantity which is determined from time to time according to the product requirements and the manufacturers' production capacity. Under normal conditions and subject to wear and tear of consumable parts, the average product life is more than ten years for relaxation and therapeutic products, and five to ten years for fitness and diagnostic products, respectively. During the Track Record Period, we engaged a total of 27, 27, 20 and 23 manufacturers, respectively; and we engaged less manufacturers from the year ended 31 March 2010 to the year ended 31 March 2011 because we required less manufacturers for premium/gift products resulting from the decrease of joint promotion plans with corporate customers for premium/gift products. We believe we are able to maintain adequate supply of our products by maintaining a wide range of approved manufacturers and strengthening our research and development capability through Mr. CS Yip and his R&D staff, Mr. Edagawa and our relationship with the external design house and our suppliers to better plan our product development and enable flexibility in allocation of resources. Generally, the tenures of the product manufacturing agreements are not specified. According to the agreements between the manufacturers and us, it may only be terminated by us upon (i) a three-month written notice; or (ii) the manufacturers' breach of any obligation, order, undertaking or terms of the agreement as specified in the agreement and failure to rectify the breach within 15 days of receipt of notice from us specifying such breach. No early termination term is provided for manufacturers and they are not permitted to alter price without prior written consent by us. In addition, as of the Latest Practicable Date, we had a list of two alternative and qualified manufacturers for each key product, which we may source from them.

We engaged various external manufacturers for the entire production process and they are responsible for procurement of the relevant raw materials. We have maintained approximately two to 15 years of business relationship with our suppliers and we have more than five years of relationship with seven, six, seven and eight of our external manufacturers for each of the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively. We believe we have a good working relationship with our external manufacturers. We carefully select our external manufacturers which meet and satisfy our evaluation and assessment criteria and evaluate their overall track record, financial strength, manufacturing experience, reputation, ability to produce high-quality products and quality control effectiveness. We also conduct evaluations on our existing external manufacturers every six months in general to identify and remove unqualified external manufacturers from our approved list of manufacturers. During the Track Record Period, we did not remove any external manufacturers from our list for failing to satisfy our qualification requirements. To reduce reliance on the five largest suppliers, we will continue to identify new manufacturers based on their respective manufacturing base and size from time to time and pay site visits to the potential manufacturers to evaluate their overall capability in order to expand our list of approved manufacturers. Since 1 April 2011 and up to the Latest Practicable Date, we had not yet identified any new manufacturers. We have also engaged Mr. Edagawa and an external design house since August 2010 and January 2011, respectively, in order to strengthen our planning of new product development and allocation of new product manufacturing to external manufacturers.

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Under our product manufacturer agreements, no proprietary rights in any of the intellectual property rights belonging to us are granted to the manufacturer, and the manufacturer shall ensure that the products fully conform with product specification spelt out by us and is responsible for the quality of the products manufactured, and shall provide us with full replacement of any sub-standard products in general no later than 14 days of receipt of the notice of defect. The manufacturer is also responsible for ensuring that all materials and/or components used in the manufacturing of the products are in compliance with the international standards, as well as any additional standards we may impose on the manufacturer. In order to ensure the confidentiality of our product designs and specification, our product manufacturer agreements also provide that the manufacturer shall warrant that no material, components or anything that it inputs into the products will infringe any third party rights whatsoever and will fully indemnify us against any losses, costs, damages or claims resulting therefrom. In addition, we generally require our external manufacturers to keep confidential any of our commercial secret known or used (including, in particular, the design, specification and costs of production of our products) unless with our written approval during our cooperation period. Our Directors confirm that no such written approval had been given to any external manufacturers during the Track Record Period. Our external manufacturers shall be liable for all our financial losses if such external manufacturers disclose such commercial secret to any other third party under any circumstances without our prior consent.

During the Track Record Period and up to Latest Practicable Date, we did not experience any material disruption in the supply from the manufacturers, disputes with suppliers nor leakage of confidential information by manufacturers. Our Directors further confirm that no external manufacturers had indemnified any losses, costs or claims regarding infringement on third party rights against the Group during the Track Record Period.

Our five largest suppliers accounted for approximately 64.3%, 74.0%, 79.3% and 68.1% of our total cost of sales for each of the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively, while our largest supplier accounted for approximately 34.4%, 27.5%, 33.9% and 26.7% of our total cost of sales for those respective periods. During the Track Record Period, one of our top five suppliers was OTO Singapore. The total purchases of our Group from OTO Singapore during the Track Record Period amounted to approximately HK\$3.1 million, HK\$4.2 million (excluding the purchase of parts amounted to approximately HK\$0.14 million), HK\$4.9 million and HK\$0.04 million, respectively, which represented approximately 8.1%, 5.1%, 8.2% and 0.1%, respectively, of the total cost of purchases of the relevant financial years. Further details of our purchases from OTO Singapore are set forth in the section headed “Relationship with Controlling Shareholders — Information on other companies owned by the Controlling Shareholders and their associates — (a) OTO Singapore” in this prospectus.

To further enhance the operation independence between our Controlling Shareholders and us, we ceased purchasing products from OTO Singapore in August 2011.

Except for the supplies from OTO Singapore, none of our Directors, chief executive or any person who, to the knowledge of our Directors, own more than 5% of our issued share capital or any our subsidiaries, or any of their respective associates, had any interest in any of our top five suppliers during each of the three years ended 31 March 2011 and the five months ended 31 August 2011.

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RETAIL MANAGEMENT AND OPERATIONS

Our retail management structure

We have a three-tiered management structure which consists of our headquarters, our sales regions and our retail outlets.

Headquarters

Our headquarters in Hong Kong is primarily responsible for strategic business development, marketing and brand management, financial management, internal control, setting performance and budget targets and supervising our performance.

Our headquarters carefully monitors the performance of each sales region and retail outlet. Each month, our headquarters produces a report which ranks the overall performance of all retail outlets. The purpose of the internal ranking system is to identify any management or operational deficiencies within the sales regions and retail outlets. Our management team at the headquarters would then propose improvement schemes.

Sales regions

We divide our retail network operations into four sales regions, namely (i) Hong Kong and Macau; (ii) the Northern China region; (iii) the Eastern China region and (iv) the Southern China region. Each of our regional sales team is responsible for coordinating and undertaking marketing and promotional activities tailored to specific circumstances of retail outlets within its region. Each sales region has a regional sales manager. Our regional sales managers are principally responsible for the management and supervision of sales performance, staff administration and operation of retail outlets.

Retail outlets

Our retail outlets are under the management and supervision of the sales teams in each outlet, who focus primarily on product sales and customer service. Our outlet sales managers are responsible for the sales targets, the store image, the financial performance and staff management at retail outlets and they report to the respective regional sales managers.

Design and appearance of our retail outlets

We aim to create a comfortable shopping environment for our customers by providing a spacious and relaxing atmosphere for our customers to try out our health and wellness products. The design, space planning and layout of retail outlets follow the guidelines set by our headquarters. All our retail outlets present a consistent visual image, particularly through the design and image of shop fronts, merchandise display, price tags and staff uniforms.

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Our marketing team also works together with our external design houses to design the layout of our retail outlets as well as the presentation of the merchandise in our retail outlets in ways that are intended to maximise their attraction to customers and which are distinctive and unique to particular theme of the key health and wellness products under promotion.

Location of our retail outlets

We believe that location selection is critical to the success of the operation and performance of our retail outlets. Our retail outlets are typically located at premium and well developed department stores or shopping malls. We also consider the following factors when assessing a location to set up a new retail outlet or to maintain an existing outlet:

- shopping habits of local customers;
- people traffic and competition in the surrounding area; and
- (for setting up a new retail outlet) initial capital investment required, estimated investment payback period and rate of return on investment.

Our retail outlet personnel

Our retail outlet personnel are responsible for all facets of our retail outlet's operation, including achieving the retail outlet's sales target, providing high standard of customer service (which includes introducing products to customers, demonstrating and explaining features and functionality of products and answering customers' enquires), maintaining the retail outlet's store image, and transmitting customer feedback data and market information to our design and development team and sales management team.

We place great emphasis on the training and development of our retail outlet personnel. We provide internal training programs to our retail outlet personnel in areas such as product features, sales skills and techniques, and customer service. All new employees are required to attend introduction courses and evaluations to ensure they are equipped with the necessary skills to perform their duties. We also provide continuing training to our employees on information of new products to reinforce their product knowledge.

We provide sales commission to our staff according to their contribution to our revenue from retail sales. Each of our frontline sales staff, sales managers, regional sales managers and Mr. Charlie Yip (one of our executive Directors) is entitled to 5%, 4% to 6.5% (according to their respective sales target achieved), 4% to 6.5% (according to their respective sales target achieved) and 0.5% to 1.5% (according to the sales target achieved) of the revenue of our products the sales staff sell, respectively. Our sales commission amounted to approximately HK\$10.9 million, HK\$21.2 million, HK\$14.4 million and HK\$6.2 million, respectively, for each of the three years ended 31 March 2011 and the five months ended 31 August 2011.

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PRICING

Our profitability depends on the price competitiveness of our products. The following factors are taken into consideration in determining the retail prices of our products:-

- expected gross profit margin of our individual product;
- retail price of similar products of our competitors;
- market positioning of our individual product;
- features and functionalities of our individual product; and
- anticipated market trends and demand.

The price range of our products is typically determined by our headquarters and our headquarters will formulate a detailed pricing guide. All our retail outlets are required to follow our retail pricing policy. We adopt standard selling prices of all our retail products in the same sales region. Our products are sold to our corporate customers and international customers, including those for our overseas markets, at a discount to suggested retail prices, representing a mark-up on the costs of such products as determined by our headquarters from time to time after taking into account the abovementioned factors as well as the local retail prices. The amount of discount to the suggested retail price varies among different corporate customers and international customers depending on the type and volume of products ordered as well as other terms of the orders.

MODE OF PAYMENT BY CUSTOMERS AND CASH MANAGEMENT

Most of our products sold at our retail outlets are paid through credit cards as such payment mode provides convenience to our customers. Given the advantages of the payment mode through credit cards, it is our policy to bear the credit card charges by our Group under such payment mode. During the Track Record Period, we also cooperated with various credit card companies in offering payment instalment plans on our products with retail price over HK\$1,000 for our customers in Hong Kong and Macau. Under our payment instalment plans in the respective jurisdiction, credit card companies will pay us the whole purchase amounts of our products and our customers will pay the credit card companies the purchase amounts of our products by various instalments. As confirmed by our legal advisers as to Hong Kong Law and Macau Law, such transactions complied with applicable consumer legislation. During the Track Record Period, we did not offer and cooperate with any credit card companies in offering payment instalment plans for our customers in the PRC. Except for the payment through credit card for payment instalment plans, the sales proceeds of which will be paid by the credit card companies to us directly, all sales proceeds from consignment counters are collected by the department store operators.

During the Track Record Period, our Group did not directly or indirectly involve in hire purchase sales arrangements through any related parties. Considering our high cash turnover, we have established a system to maintain strict control over our cash flow, under which all cash receipts arising from sales at our retail stores in Hong Kong, Macau and China are deposited into our bank account

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on daily basis, while minimum cash of not exceeding HK\$1,888 are maintained at each retail store at end of each day, such cash deposit receipt and evidence must be submitted to regional offices for checking and reconciliation. All cash payments must be processed by our regional offices, which are responsible for all cash management and budgeting decisions.

Our general policy for corporate customers and international customers is that these corporate customers and international customers are required to pay the purchase prices in full prior to our delivery of products to designated delivery location or geographical areas. However, we also grant a credit period of no more than 90 days to some corporate customers and international customers based on their credit histories and historical sales performance. We require all corporate customers and international customers to comply with our credit policy and our accounting department carries out regular reconciliations and collection of outstanding balances from them.

As at Latest Practicable Date, we did not experience any material incident of and losses from cash misappropriation.

INFORMATION SYSTEM

We believe that a comprehensive information system is important in improving our efficiency in inventory control, logistics and sales. We maintain a computerized information system which integrates the functions of merchandising, stock replenishment, inventory distribution and sales. Our management information system enables us to administer and operate our sales network efficiently.

During the Track Record Period, we did not have any material system failure which materially affected our operation.

INVENTORY CONTROL AND LOGISTICS

Our inventory policy is to ensure sufficient level of stock to meet varying customers' demand. Our logistics department timely monitors our inventories, including inventory levels, inventory age and inventory composition. To further minimize the risk of stocking up aged inventories, it is our policy to regularly review the movement of slow moving inventories and develop action plan for clearance of such inventories. We also carry out physical stock counts from time to time to identify obsolete or malfunction goods. As we also closely control our procurement in line with our expected sales, we generally maintain an optimal level of aged inventories of not more than three months since completion of production. In addition, due to the long shelf life of our products, we generally do not record a provision for obsolete inventory.

We also track the inventory level of the retail outlets for the purpose of gathering sufficient information and data regarding the market acceptance of our products so that we can reflect consumers' preferences in the design, function and appearance of our upcoming products. The tracking of inventory level also provides useful information to us as to the market recognition of our products in a particular region so that we could realign our marketing strategy if needed.

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We organize meetings to meet with personnel from our sales department and logistics department from time to time to discuss and analyze inventory age and reallocation of products among our retail regions and retail outlets, if necessary.

Finished products supplied by our manufacturers are mainly delivered, by road and sea transportations, to our warehouses and distributed by our in-house logistics team to our retail outlets, consignment counters and roadshow counters. Products which are sold to corporate customers and international customers may be delivered directly from our external manufacturers to the respective corporate customers and international customers.

We currently lease warehouse units totaling an area of approximately 10,175 sq.ft. located in the Western district of Hong Kong Island. Please refer to property numbered 18 under “Appendix IV — Property Valuation” of this prospectus for further details. In January 2011, we started to lease transitional warehouse space at loading port in Hong Kong which provides us with not only greater flexibility in logistics arrangements, but also additional warehouse space. The transitional warehouse space is leased on a daily basis and is charged on the total area used, which varies depending on our needs. Our Directors consider that there will not be any material operational and financial impacts on our Group in relocating the transitional warehouse to another location available in Hong Kong and such relocation can be done within a short period of time with a minimal relocation cost of approximately HK\$4,000. Additionally, we have our own transportation fleet in Hong Kong including two trucks and one van for the delivery of goods to our customers in Hong Kong. We have a total of nine logistics staff including five storekeepers, three drivers, and one logistics supervisor, who oversees the warehouse and the transportation fleet in Hong Kong. Additionally, we currently lease a storage area of approximately 28.7 sq.m. in Shanghai, China. Please refer to property numbered 22 to “Appendix IV — Property Valuation” of this prospectus for further details. As at the Latest Practicable Date, we did not have any warehouse in Macau.

We utilize our management information systems to monitor our logistics arrangements. These systems facilitate the timely and accurate delivery of shipments and the accurate accounting and balancing of inventory among the retail outlets. Once a delivery arrives at a retail outlet, the products are inspected and sorted and can be immediately placed on the selling floor by the retail outlet personnel. As our distribution system can support rapid merchandise replenishment, we have been able to maintain an efficient inventory level at our retail outlets.

QUALITY CONTROL

We believe that our commitment to quality control is one of the principal factors contributing to our success. We have established a strict quality control system and a set of quality standards by requiring our external manufacturers to conduct testings at different stages and provide declaration of conformity as documentary evidence to ensure compliance with relevant international standards before commencement of commercial production. Most of our standards for the inspection of our products are based on relevant international and domestic standards, including the GB Standards, of which Standardization Administration of China maintains a database listing all material mandatory

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and national standards, and CE mark, which is a product certification in compliance with the New Approach Directives of the European Union and indicates conformity with all essential safety and environmental requirement as set out in the European Directives, and are updated according to any changes of such international and industry standards.

According to our PRC Legal Advisers who had orally enquired with the China Consumers' Association, they were given to understand that there were no customer complaints/claims against us arising from the PRC. According to the confirmation letter issued by the Macau Consumer Council, there were two complaint records against us regarding the sale and delivery of products in Macau. Such complaints were disputes on our sales services and delivery services and were resolved and settled after the Group and the complainants reached agreement on refund and reschedule for delivery, respectively, in accordance with the instruction of the customers and did not materially affect the operation of our Group in Macau. In Hong Kong, a request letter was sent to the Consumer Council and according to the reply letter from the Consumer Council, no affirmative confirmation was provided as to the number of settled and unsettled complaint cases, if any, of our Group. During the Track Record Period, according to our internal record, we had an aggregate of 34 consumer complaints in Hong Kong, 11 of which were requests for reducing repairing charges, involving an aggregate settlement amount of HK\$120, five of which were comments on our repairing services, with no settlement amount incurred, and 18 of which were requests for replacement of our products involving an aggregate settlement amount of HK\$7,264. All such complaints were fully resolved through our negotiation with the relevant customers by mainly (i) waiving certain amount of our repairing services; (ii) enhancing our repairing services; and (iii) offering coupons to our customers. In addition, from 1 September 2011 and up to the Latest Practicable Date, we received two consumer complaints in Hong Kong on our repairing services and request for replacement of our products and a settlement amount of HK\$7,980 was incurred.

Quality Control Process

Our quality control process starts early in the design and development stage when we consider the functionality and quality of materials to be used for manufacturing. Once production specifications of final designs are provided to our manufacturers, detailed specifications and requirements in respect of production, inspection and packaging are also provided. After receiving the production specifications, our manufacturers first produce product samples which will be reviewed by our design staff before mass production and may be subject to modifications, if necessary. Mass production by our manufacturers will only commence upon our approval. At each stage of the manufacturing process, we may from time to time arrange on-site inspections at the production facilities of our manufacturers. During the Track Record Period, our Group did not engage any third-party inspection institutions for relevant testing against finished products after the manufacturing process and before products were delivered to us; yet our research and development team would on a random basis conduct the inspection physically at the manufacturers' plant prior to shipment and in-house inspection when finished products were delivered to our warehouse for the first two batches of new product items. Relevant inspection exercises were conducted by the respective approved centre or agent for International Sales to our international customers in which they would bear the inspection fees. Therefore, we did not incur significant expenses for product inspection during the Track Record Period. However, we may engage third-party inspection institutions to conduct sample tests as well as quality inspections, against the finished products manufactured by our manufacturers to assess their

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quality and functionality before they are delivered to us in the future. For substandard products, our design and development team would arrange with the relevant manufacturers for repair or return, and any repaired product would be inspected again through the above process. Under our product manufacturing agreements, the manufacturer is required to provide us a product quality guarantee over the products we purchase from them with full replacement of products within 14 days of receipt of the notice of defect, and if the quantity of substandard products is over 3.0% of the total amount of a purchase order, we shall have the option of sending back all substandard products for immediate credit or exchange by the manufacturer plus damages or we may obtain a refund of price of the purchase order and claim for loss. We had a total of 27, 27, 20 and 23 manufacturers and such guarantee period and rejection percentage differ from manufacturer to manufacturer. For the three years ended 31 March 2011 and the five months ended 31 August 2011, approximately 26, 27, 19 and 22 of our manufacturers provided a product quality guarantee period of one to two years while the remaining manufacturers provided a product quality guarantee period of more than two years. During the Track Record Period, we did not encounter any significant refunds or claims for loss from our manufacturers and significant replacement of the entire batch of products with suppliers due to quality standards in all material aspects.

Warranty Policy

Our warranty policy generally covers for one year from the date of purchase and generally for all parts of our products excluding certain specified parts or components including power cable, adaptor, and all other consumable items including battery, fabric, leather cover, remote control, gel pad and other lost parts. However, our warranty policy does not cover periodic checking, cleaning, transportation, relocation, installation or replacement for consumable items. Customers are required to send products other than massage chairs, to our outlets for repairing services. We will charge transportation fee if customers specifically request for collection or delivery services to designated location after repairing services conducted by our team of engineers and technicians. For massage chairs, detailed information regarding the repair services required and customers' available time slot will be recorded in a "service order" form when customers request for repair services. Our administrative department will then arrange our technicians and service staff to pay visit for providing repair services. We will normally confirm service charge and/or transportation fee with our customers prior to our visit. When we place our purchase orders, we are usually entitled to claim spare parts from our suppliers with value worth of approximately 1% of the total value of the purchase orders. These spare parts are normally kept at our service centre for repairing services. In addition, we often require our suppliers to provide repairing services for massage chairs.

Based on our quality control process and warranty policy, we are able to minimize our operating cost in terms of repairing services provided to our customers. Since we do not incur significant cost in the spare parts required for our repair services, the costs involved in carrying out repair services during the Track Record Period comprised mainly of wages and salaries paid to our technicians and service staff, which amounted to approximately HK\$0.5 million, HK\$0.4 million, HK\$0.5 million and HK\$0.3 million, for each of the three years ended 31 March 2011 and the five months ended 31 August 2011, respectively. We also provide repair services to our customers after expiry of warranty period where repair services become chargeable. During the Track Record Period, we generated revenue of approximately HK\$1.0 million, HK\$1.3 million, HK\$1.4 million and HK\$0.6 million, respectively, from our repairing services. As the revenue generated from provision of repair services are

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comparatively higher than that of the related costs, our Directors are of the view that no provision of warranty is required during the Track Record Period. Our Directors also confirm that there were no material product recalls, major complaints against our products, or any material amount of sales return during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

The health and wellness product industry has been characterized by increasingly rapid launch of new models, continuous technological advancement, evolving industry standards and changing customer needs, leading to a trend of shorter product life cycles and competitive pressure to introduce new or enhanced products quickly into the market. We face competition from other major brands who offer health and wellness products which are similar to ours and may have more innovative product design, better marketing promotion strategies and sales channel building, or have greater financial resources or superior technology compared to us.

According to the Frost & Sullivan Report, we ranked first in the Hong Kong relaxation equipment market in terms of units sold with a market share of 65.0% and ranked second in terms of sales revenue with a market share of 28.3% in 2010. We also ranked first in the Hong Kong partial body massage equipment market in terms of both units sold and sales revenue with a market share of 72.2% and 60.7%, respectively, in 2010. Our success is mainly due to our focus on partial body massage equipment, which is smaller in size and thus more suitable for Hong Kong which has a relatively smaller per capita living space compared to other developed nations.

However, we face competition in the market for fitness equipment from commercial fitness centers which provide more advanced fitness products and professional trainers, which would influence a consumer's decision to purchase fitness equipment.

For further discussion of the competitive landscape we face for our products in our markets, please see the section headed "Industry Overview" of this Prospectus. For further discussion of the risk factors relating to competition, please refer to the section headed "Risk Factors — Risks Relating to the Industry — Any failure by us to respond to the competitive environment in the health and wellness industry in a timely manner may adversely affect our business, operating results and financial condition" of this Prospectus.

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EMPLOYEES

As at 31 August 2011, we employed 156 full-time employees. The following table sets forth the number of employees by function for the periods indicated:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
Retail.....	69	84	82	112
International Business	—	—	1	1
Design & Development & Procurement....	4	4	4	4
Accounts & Finance.....	2	3	6	6
Marketing & Purchase.....	2	2	3	3
Administration & Human Resources.....	7	7	7	8
Logistics	9	9	9	9
Technical & Service.....	2	2	4	4
Customer Service	5	5	4	4
Senior Management.....	3	3	5	5
Total	103	119	125	156

Remuneration

The remuneration payable to our employees includes salaries, allowances and commissions. We determine employees' remuneration based on factors including qualifications, contributions and years of experience. As part of our remuneration policies for our employees, we will have in place a Share Option Scheme upon Listing. This scheme is designed to provide incentives and rewards to our employees. Further details on the principal terms of the Share Option Scheme are set forth in "Share Option Scheme" under Appendix VI to this prospectus. Our Directors believe that by offering our key employees a shareholding stake in our Company, we are aligning their interests with our interests, thereby providing our key employees with additional incentives to improve their performance.

Welfare contributions

We have participated in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance subject to a maximum of HK\$1,000 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future. We also provide medical allowances of up to HK\$1,000 per year for each of our Hong Kong staff.

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Pursuant to the laws of Macau, our Group is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for our employees in Macau. The contribution of the social security funds is a fixed amount, i.e. MOP45 per month per every employee at present, and payable by us every quarter. After due diligence works by our Macau legal advisers and confirmation of our management, our Macau legal advisers are of the view that we have made contributions to the social security fund of Macau for our Group's employees in accordance with the laws and regulations of Macau.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to the comprehensive insurance, which includes the occupational injuries (or accidental injuries) insurance, hospitality medical insurance and retirement pension, as well as a housing fund for our Group's employees in Shanghai. As confirmed by our PRC Legal Advisers, our Group complies with all statutory social insurance and housing fund obligations applicable to our Group under PRC laws.

The total amount of our contributions made for our welfare contributions for the Track Record Period was approximately HK\$0.8 million, HK\$1.1 million, HK\$1.1 million and HK\$0.5 million, respectively.

INTELLECTUAL PROPERTY RIGHTS

We rely on various intellectual property laws, especially trademark laws, to protect our proprietary rights. Details of our intellectual property rights are more particularly set out under the paragraph headed "Intellectual property rights of our Group" in Appendix VI to this prospectus.

We recognize the importance of protecting and enforcing intellectual property rights. As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. Besides, as part of our measures in selecting our manufacturers, we will review and verify their ownership of the relevant intellectual property rights by requiring our manufacturers to submit to us copies of the relevant intellectual property documents relating to their products, including but not limited to trademarks and trade names registration documents. In addition, we generally require our manufacturers to bear all liabilities relating to infringements of third parties' intellectual properties in respect of the products supplied to us by them.

As at the Latest Practicable Date, neither our Group nor OTO Singapore nor OTO Malaysia nor any related companies are the registered holders of or the applicants for patents in respect of any of the health and wellness products distributed by our Group.

As at the Latest Practicable Date, 37 registered trademarks in Hong Kong, Macau, China and other jurisdictions were held by us, while 40 registered trademarks were agreed to be transferred to us and in the process of effecting the relevant registration. The transfer and registration process of the trademarks as set forth in Appendix VI to this prospectus has commenced and will only be effective upon registration of transfer in some jurisdictions. For further details, please refer to the section headed "Intellectual property rights of our Group" in Appendix VI to this prospectus.

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PROPERTIES

Self-owned properties in Hong Kong

As at the Latest Practicable Date, our Group owned one property in Hong Kong for staff quarter purpose and one property in Hong Kong which has been leased to an Independent Third Party for office purpose. Details of such owned properties are set out in Appendix IV of this prospectus.

Leased properties and consignment counters in Hong Kong and Macau

As at 30 September 2011, being the valuation date of the valuation report under Appendix IV to this prospectus, our Group had leased (i) 18 properties in various areas in Hong Kong of which 15 were retail stores and others for warehouse and ancillary office, office and staff quarter purposes; and (ii) one property in Macau for retail purpose. Details of such leased properties are set out in Appendix IV of this prospectus.

The following sets forth the recent development of our leased properties in Hong Kong and Macau from 1 October 2011 to the Latest Practicable Date:-

- (i) The tenancy agreement for the property numbered 4 in Appendix IV to this prospectus expired on 7 November 2011. We have continued to lease the property and have agreed with the landlord on the principal terms of the lease. Since the landlord required more time to finalise the tenancy agreement, the formal tenancy agreement had not yet been entered into as at the Latest Practicable Date. A renewal offer letter is under preparation and the formal tenancy agreement is expected to be signed by us and the landlord before 31 December 2011.
- (ii) The retail store operated in the property numbered 11 in Appendix IV to this prospectus was closed upon the expiry of the tenancy agreement on 21 October 2011 due to mandatory relocation of our retail store to a location suggested by the landlord, the location of which we consider as not suitable for our retail store operation. As at the Latest Practicable Date, we identified a new location for re-locating the retail store and entered into an offer to lease with the intended landlord. We are in the process of re-locating the retail store which is expected to be opened in December 2011 at the property, details of which are set forth as the second property under “Property interests rented/to be rented by the Group in Hong Kong after the date of valuation” under Appendix IV to this prospectus.
- (iii) The retail store operated in the property numbered 15 in Appendix IV to this prospectus will be closed upon the expiry of the tenancy agreement on 30 November 2011 due to renovation of the shopping mall where it was located. As at the Latest Practicable Date, we identified a new location for re-locating the retail store and entered into an offer to lease with the intended landlord. We are in the process of re-locating the retail store which is expected to be opened in January 2012 at the property, details of which are set forth as the first property under “Property interests rented/to be rented by the Group in Hong Kong after the date of valuation” under Appendix IV to this prospectus.

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In relation to our remaining 12 tenancy agreements in Hong Kong and one tenancy agreement in Macau, none of them will expire in the year ending 31 December 2011, eight of them will expire in the year ending 31 December 2012, three of them will expire in the year ending 31 December 2013, and two of them will expire in the year ending 31 December 2014. It is our current intention to extend all such tenancy agreements which will expire in the year ending 31 December 2012. During the Track Record Period and up to the Latest Practicable Date, no landlord had served notice on us for early termination of tenancy agreements on grounds of sales or redevelopment of premises or for other reasons.

In addition to our tenancy agreements, we also occupied 16 consignment counters in Hong Kong as at the Latest Practicable Date. Among our 16 consignment counters, seven consignment agreements of which will expire in the year ending 31 December 2011, seven consignment agreements of which will expire in the year ending 31 December 2012, and two consignment agreements of which will expire in the year ending 31 December 2013. It is our current intention to extend all such consignment agreements which will expire in the year ending 31 December 2011. As at the Latest Practicable Date, we were negotiating with the department store operators for the renewal. Based on our negotiation, our Directors consider that such agreements will be renewed on or before their respective expiry dates. During the Track Record Period and up to the Latest Practicable Date, no operator of department store had served notice on us for early termination of consignment agreements on grounds of sales or redevelopment of premises or for other reasons.

As at the Latest Practicable Date, we occupied two consignment counters located in a well-known Japanese department store in Macau. We did not enter into any written consignment agreements with the operator of the department store in relation to such consignment counters. In addition, our Directors understand that the operator of such department store did not and will not enter into any written consignment agreement with all operators of consignment counters, including our Group, because of its own commercial policy and common practice. The validity, legality and enforceability of such consignment agreements may be subject to uncertainties. As advised by our Macau legal advisers, there is no fine or penalty applicable to the defective property titles in relation to our operations at the Japanese department store in Macau. Despite the absence of written consignment agreements signed by our Group with such operator in relation to such consignment counters, there is an oral agreement between the parties to the consignment counters. Such oral agreement is further supported by the monthly invoices in relation to the consignment counters issued by our Group and the monthly consignment sales report issued by the operator of the department store during the Track Record Period. As confirmed by our Macau legal advisers, under the laws of Macau, there is no requirement of such agreement shall be in written form and lack of written consignment agreement does not affect its validity, legality and enforceability or cause any prejudiced legal consequences to the Group and the operation of the aforementioned consignment counters. Even if there are any questions to the existence of the agreements of the consignment counters for whatever reasons, the Directors consider that there will not be any material operational and financial impacts on our Group in relocating our consignment counters to another retail location available in the Macau market and such relocation can be done within a short period of time of approximately one month with a minimal relocation cost of approximately HK\$200,000. Prior to commencement of operation and subject to the consignor's consent, we will require formal consignment counter agreement to be entered into and obtain necessary legal opinion regarding consignment counter agreement to be entered into in the future in order to ensure compliance with the property titles. In addition, since the

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revenue attributable to these two consignment counters in Macau only accounted for approximately 12.5%, 7.9%, 9.2% and 7.3% of our revenue for each of the three years ended 31 March 2011 and the five months ended 31 August 2011, the Directors consider that the two consignment counters in Macau are not crucial to our Group's operation.

Leased properties and consignment counters in the PRC

As at the Latest Practicable Date, our Group leased four properties in various areas in the PRC for storage, office, planning retail store and staff quarter purposes. Details of such leased properties are set out in Appendix IV of this prospectus.

As at the Latest Practicable Date, we had 14 consignment counters in the PRC. Among them, four consignment agreements of which will expire in the year ending 31 December 2011, and 10 consignment agreements of which will expire in the year ending 31 December 2012. It is our current intention to extend all such consignment agreements which will expire in the year ending 31 December 2011. As at the Latest Practicable Date, no operator of department store had served notice on us for early termination of consignment agreements on grounds of sales or redevelopment of premises or for other reasons.

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the property interests of our Group as at 30 September 2011. Details of the valuation and the test of the letter, summary of values and valuation certificate of each of the relevant properties from Jones Lang LaSalle Sallmanns Limited are set forth in Appendix IV to this prospectus.

Our use of one of the properties located in the PRC as a warehouse (which was originally intended to be used as staff quarters) may have deviated from the specified purpose of the property as residential units. Our PRC Legal Advisers are of the view that the validity, legality and enforceability of the lease property being used as a warehouse and leasehold interests under the relevant lease agreement, are subject to uncertainties under PRC law. The use of the above leased property may be challenged and our Group may need to relocate its existing warehouse. In addition, as advised by our PRC Legal Advisers, we might be subject to a maximum penalty of RMB50,000 for the deviation from the specified purpose of the property. Our Directors consider that there will not be any material operational and financial impacts on our Group in relocating the warehouse to another location available in the PRC and such relocation can be done within a short period of time of approximately two months with a minimal relocation cost of approximately RMB5,000.

As advised by our PRC Legal Advisers, the lessor regarding the property 25 in the valuation report under Appendix IV to this prospectus with a floor area of approximately 63 sq.m. has not yet obtained the relevant certificate in relation to the property and has not carried out the necessary procedures with the relevant authorities in the PRC required for leasing out the property. As a result, such lessor may not have the right to lease the property to us. As at the Latest Practicable Date, the use and occupation of the property had not been challenged by any third parties. According to our PRC Legal Advisers, if we are to be prevented from occupying the property due to the lessor's failure to conduct the necessary procedures with the relevant authorities, a maximum penalty of approximately RMB10,000 might be imposed on us. Alternatively, we can seek to lease similar retail stores

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elsewhere, such relocation would require approximately two months with a minimal relocation cost of approximately RMB200,000. We will ensure all necessary property title document or leasing certificates from the relevant government authorities in the PRC would have been obtained before entering into any leasing agreement in the future.

As advised by our PRC Legal Advisers, the tenancy agreement regarding the property 23 in the valuation report under Appendix IV to this prospectus with a floor area of approximately 47.18 sq.m. has not been registered with the relevant authorities in the PRC. As a result, we cannot guarantee that the use and occupation of the property will not be challenged by any bona fide third party. As at the Latest Practicable Date, the use and occupation of the property had not been challenged by any third parties. Our Directors consider that there will not be any material operational and financial impacts on our Group in relocating the office to another location available in the PRC and such relocation can be done within a short period of time of approximately two months with a minimal relocation cost of approximately RMB5,000.

Our Directors believe that there is minimal risk that our ability to continue to use the properties will be challenged or that we will be required to vacate from the properties. In addition, our Directors believe that the properties are not crucial to our operation and there will be no material adverse effect on our business operations of financial condition even in the event we are required to vacate from the properties. Our Directors do not foresee any obstacles to relocate to similar properties elsewhere.

INSURANCE

We carry out insurance covering risks including product liability, public liability, property protection and personal insurance for our key management. As at the Latest Practicable Date, maximum insurance coverage for each of product liability, public liability, property protection and personal insurance for our key management is approximately US\$1.0 million, HK\$10.0 million, HK\$30.0 million and HK\$2.5 million, respectively. We believe that our insurance coverage is adequate for our operations.

During the Track Record Period, we did not experience any material claim of any liability arising from or involving the use of our products by our customers which result in material and negative impacts on our business.

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

Our Directors have confirmed that we have complied with applicable laws and regulations in Hong Kong, Macau and China in all material aspects, and have obtained all material licenses, approvals, permits and certificates from appropriate regulatory authorities for our business operations in Hong Kong, Macau and China.

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Based on information provided by the Company, save for the property defects and the material operating licenses for further retail sales in the PRC as set forth in the paragraph headed “Properties” and “Business Strategies” respectively in this section of this prospectus, the Company’s legal advisers as to Hong Kong Law, Macau Law and the PRC Law respectively are of the view that our Group and the sales of our Group’s products in Hong Kong, Macau and the PRC (“the respective jurisdictions”) were in compliance in all material aspects with the applicable statutory laws and regulations of the respective jurisdictions and our Group has obtained all requisite licences, permits and approvals for the sales of its products and business operations in the respective jurisdictions during the Track Record Period and up to the Latest Practicable Date.

Our Directors have confirmed that all the descriptions of the Group’s products contained in its advertising materials are accurate and do not contain any false or misleading information. Based on the information provided by the Company, the Company’s legal advisers as to Hong Kong Law and Macau Law are of the opinion that we have complied with the applicable advertising laws and regulations of Hong Kong and Macau.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible for and has general powers for the management and the conduct of our business. The table below shows certain information in respect of members of our Board.

Name	Age	Position in our Group	Date of appointment	Time of joining our Group	Responsibilities in our Group
Mr. CS Yip (葉治成)	61	Chairman and executive Director	11 February 2011	February 1987	Overall strategic development branding, and leading the product design and development of our Group
Mr. Charlie Yip (葉志禮)	52	Chief executive officer and executive Director	26 May 2011	February 1987	Overall day-to-day operation, management and strategic development of the Group and communication with key customers and suppliers
Mr. David Yip (葉志偉)	49	Executive director	26 May 2011	September 2005	Executing our Group's business development and branding activities and supervising International Sales
Mr. GK Yep (葉自強)	68	Non-executive director	11 February 2011	February 1987	Advising on the Group's strategic development and supervising and providing judgment to the Board and the nomination committee
Mr. Chan Yip Keung (陳業強)	46	Independent non-executive Director	25 November 2011	November 2011	Supervising and providing independent judgment to the Board, the audit committee and the remuneration committee
Mr. Chung Kin Fai (鍾健輝)	43	Independent non-executive Director	25 November 2011	November 2011	Supervising and providing independent judgment to the Board, the audit committee, the remuneration committee and the nomination committee
Ms. Lo Yee Hang (盧懿杏, formerly known as “盧懿行”)	35	Independent non-executive Director	25 November 2011	November 2011	Supervising and providing independent judgment to the Board, the audit committee, the remuneration committee and the nomination committee


DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Board currently consists of seven Directors, comprising of three executive Directors, one non-executive Director and three independent non-executive Directors. Each Director serves a term of three years, with one-third of the Board retiring at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Executive Directors

Mr. Yip Chee Seng (葉治成)

Mr. Yip Chee Seng, aged 61, is the co-founder and chairman of our Group. Mr. CS Yip is responsible for the overall strategic development, branding and leading the product design and development of our Group.

Mr. CS Yip was educated to GCE Ordinary Level in Singapore in 1968. He was then engaged in civil services with Singapore Government in Singapore National Services and Singapore Telecom from late 1960s to early 1970s. After leaving the civil services, Mr. CS Yip began his career as a door-to-door salesman of home and health products. He started his own business and co-founded IPS Brothers Enterprise in 1978 with Mr. GK Yip's wife, Ms. Tan Swee Geok. He has been contributing to and overseeing the development of “” brand business. He has over 30 years of experience in the retail sector. Mr. CS Yip has been leading the development of our Group's health and wellness products. He was also a director of each of OTO Singapore and OTO Malaysia until his resignation which took effect from 22 November 2011 and 24 November 2011, respectively. Further details are set out in the section headed “Relationship with Controlling Shareholders — information on other companies owned by the Controlling Shareholders and their associates”. At present, Mr. CS Yip is a member of the governing board of Ren Ci Hospital, a charitable organisation in Singapore. Save for being a director of our Company, Mr. CS Yip did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Mr. CS Yip is a brother of each of Mr. Charlie Yip, Mr. David Yip and Mr. GK Yip, each being a Director and a Controlling Shareholder. Mr. CS Yip's son, Mr. Yip Chun Yong, is a supervisor of OTO Shanghai and he is the nephew of the other Yip Brothers

Mr. Yip Chee Lai Charlie (葉志禮)

Mr. Yip Chee Lai Charlie, aged 52, is the chief executive officer (“CEO”) of our Group. He is responsible for our Group's day-to-day operation, management and strategic development of our Group and communication with key customers and suppliers. He is also responsible for the sales and retail operation of our Group in Hong Kong and Macau.



Mr. Charlie Yip was educated to GCE Advance Level in Singapore in 1979. He began his career as a retail promoter when he joined IPS Brothers Enterprise in 1982. In 1986, Mr. Charlie Yip joined our Group's operations in Hong Kong upon incorporation of OTO HK. Together with Mr. CS Yip and Mr. David Yip, he has been contributing to the growth of “OTO” brand business and brand development in Hong Kong and Macau. Save for being a director of our Company, Mr. Charlie Yip did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Charlie Yip is a brother of each of Mr. CS Yip, Mr. David Yip and Mr. GK Yep, each being a Director and a Controlling Shareholder. He is also the spouse of Ms. Yeo Bee Lian, our Group's Human Resource and Administrative Manager.

Mr. Yip Chee Way David (葉志偉)

Mr. Yip Chee Way, David, aged 49, is an executive Director. He is responsible for executing our Group's business development and branding activities and supervising International Sales.

Mr. David Yip graduated in June 1987 from the National University of Singapore with a Bachelor of Arts degree, majoring in Economics and Chinese Studies. He began his career with OTO Singapore as a retail promoter in 1987 upon his graduation and was appointed to his current position in January 2011. Together with our Chairman and CEO, Mr. David Yip has been contributing to our Group's business development and branding activities, in particular he implemented a series of branding exercises and marketing campaigns to build the “” brand. Mr. David Yip is also principally responsible for setting up the export business for “” brand products. Save for being a Director of our Company, Mr. David Yip did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Mr. David Yip is a brother of each of Mr. CS Yip, Mr. Charlie Yip and Mr. GK Yep, each being a Director and a Controlling Shareholder.

Non-Executive Director

Mr. Yep Gee Kuarn (葉自強)

Mr. Yep Gee Kuarn, aged, 68, is a non-executive Director. For further details of his redesignation as a non-executive Director, please refer to the section headed “Relationship with Controlling Shareholders — information on other companies owned by the Controlling Shareholders and their associates”. He is responsible for advising on our Group's strategic development providing input on human resource matters in his capacity as a member of the nomination committee and is not involved in our Group's day-to-day operation and management.

Mr. GK Yep was educated to GCE Ordinary Level in Singapore in 1962. He worked as an insurance agent in Singapore from 1965 to late 1970s. He co-founded IPS Brothers Enterprise with Mr. CS Yip in 1978. Currently, Mr. GK Yep is a director of both OTO Singapore and OTO Malaysia and he supervises their day-to-day operation and management. Save for being a Director of our Company, Mr. Yep did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Mr. GK Yep is a brother of each of Mr. CS Yip, Mr. Charlie Yip and Mr. David Yip, each being a Director and a Controlling Shareholder.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent Non-Executive Director

Mr. Chan Yip Keung (陳業強)

Mr. Chan Yip Keung, aged 46, has been an independent non-executive Director since 25 November 2011. Mr. Chan is a Certified Public Accountant (Practising) since June 1994. He joined Shanghai Commercial Bank Limited as a clerk from July 1985 to February 1986. He joined Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants (now known as HLB Hodgson Impey Cheng) as an audit trainee from September 1989 to March 1991. Mr. Chan joined Messrs. Andrew Ma & Co., Certified Public Accountants as an audit semi-senior on August 1991 and he was then promoted to audit semi-senior I and audit senior on September 1992 and September 1993 respectively and he left on November 1994. Mr. Chan commenced his own practice under his own name, Chan Yip Keung, Certified Public Accountant, in June 1994 and had been practising under his own name until he founded Chan Yip Keung & Co., Certified Public Accountants in February 1998 and became its sole proprietor which provides professional accounting services to clients. He was a director of Amazing Grace Management Limited, a company principally engaged in the provision of accounting and secretarial services which he co-founded with his spouse, between October 1996 and November 2004. He was also a director of Andrew Ma DFK (CPA) Limited, Certified Public Accountants (an independent member firm of DFK International) between September 2006 and March 2011. Mr. Chan joined Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College), as a part-time lecturer in September 1992 and has been a part-time senior lecturer since September 2000.

Mr. Chan was admitted as an associate member and a fellow member of the Association of Chartered Certified Accountants in 1992 and 1997, respectively, and an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1992 and 2000, respectively. He has been a fellow member and a Certified Tax Adviser (Hong Kong) of the Taxation Institute of Hong Kong since 2005 and 2010, respectively. Mr. Chan is also an associate member of the Institute of Chartered Accountants in England and Wales since 2007. Mr. Chan obtained a Diploma in Accounting from Hong Kong Shue Yan College in 1989 and he obtained a Bachelor in Law degree from Peking University in 2001. Save as disclosed herein, Mr. Chan did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Mr. Chung Kin Fai (鍾健輝)

Mr. Chung Kin Fai, aged 43, has been an independent non-executive Director since 25 November 2011. He is currently a director and the sole owner of Capital Market Advisors Limited, which has been providing investor relations and business advisory services. Mr. Chung obtained Bachelor of Business Administration Degree (with honours) from The Chinese University of Hong Kong in December 1990. He graduated with Master of Business Administration Degree from Monash University in July 1993. Mr. Chung was admitted as a certified practising accountant of CPA Australia and a member of the Institute of Certified Public Accountants of Singapore in October 1996 and March 2010, respectively. He was first qualified as a Chartered Financial Analyst awarded by CFA Institute in September 2000. He became a regular member of CFA Singapore and a member of the Hong Kong Society of Financial Analysts in April 2000 and May 2009, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Chung joined Arthur Andersen & Co. in July 1990 as a staff accountant and left in June 1991. Between July 1991 and July 1993, he pursued his Master of Business Administration studies in Australia. He returned to Hong Kong in October 1993 and joined Shui On Investment Company Limited as a corporate review officer and was promoted to assistant manager — corporate finance in April 1995. He left in September 1995 and joined Sun International Limited as their group financial controller until June 1996.

Mr. Chung joined J.M. Sassoon & Co (Pte.) Ltd. in Singapore in October 1996 as their investment analyst. In May 2000, he was seconded to their Hong Kong office as their head of research and general manager. He returned to the Singapore headquarters in March 2001. In March 2003, he left J.M. Sassoon & Co (Pte.) Ltd. and returned to Hong Kong to establish, with some other business partners, a company called JC Premier Capital Limited, which carried on the business of providing corporate finance advice and consultancy services. In July 2004, he joined Luen Fat Securities Company Limited as their managing director until December 2005. In August 2006, Mr. Chung established Financial PR HK Limited (currently known as Capital Market Advisors Limited) with another business partner, which was in the business of investor relations and business advisory services. In November 2008, he acquired the entire interest in that company and became its sole shareholder.

Mr. Chung has experience in areas of corporate finance, financial accounting, internal audit, equity research and securities trading.

Save as disclosed herein, Mr. Chung did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Ms. Lo Yee Hang (盧慧杏, formerly known as “盧慧行”)

Ms. Lo Yee Hang, aged 35, has been an independent non-executive Director since 25 November 2011. Ms. Lo is a solicitor and the proprietor of Lo & Co., Solicitors. Ms. Lo joined Messrs. Albert Dan & Co. as a solicitor in 2001 and became a partner in 2006. In December 2010, Ms. Lo left Messrs. Albert Dan & Co. and established Messrs. Lo & Co to commence her own practice.

Ms. Lo graduated with a degree of Bachelor of Laws from the University of Glamorgan, United Kingdom in 1997 and obtained a Diploma of Legal Practice from the University of Bristol, United Kingdom in 1998. She was admitted as a Solicitor of Hong Kong and also in the UK in 2001. In 2008, she was qualified as a Civil Celebrant of Marriages in Hong Kong.

Apart from her own legal profession, Ms. Lo is also a Member of the Central & Western District Council of Hong Kong and serves on various government and advisory boards in Hong Kong such as Appeal Board Panel (Town Planning), Administrative Appeal Board and Criminal and Law Enforcement Injuries Compensation Boards. Save as disclosed herein, Ms. Lo did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

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Information that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, there is no information relating to any of the Directors which needs to be disclosed under the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules. Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his/her appointment as a Director.

Senior Management

The table below sets out a summary of the responsibilities and other information of our Group's senior management:

Name	Age	Position in our Group	Time of joining our Group	Responsibilities in our Group
Mr. Wong Yoon Thim (黃潤添)	37	Group Financial Controller	November 2010	Overseeing financial, accounting and taxation functions of our Group
Ms. Siu Yuet Tong (邵月棠)	34	Marketing Manager	January 2006	Assist our Group's chief executive officer to formulate and execute the Group's marketing and corporate sales strategies
Ms. Yeo Bee Lian (楊美蓮)	48	Human Resources and Administration Manager	January 1990	Overseeing implementation of our Group's recruitment and remuneration policies and system and supervising customer service team
Mr. Li Pak Wing, Joey (李柏榮)	42	Regional Retail Sales Manager	March 1998	Overseeing our Group's Hong Kong retail operations and involving in developing sales and marketing strategies

Mr. Wong Yoon Thim (黃潤添)

Mr. Wong Yoon Thim, aged 37, is our Group Financial Controller. His responsibilities include overseeing the financial, accounting and taxation aspects of our Group.

Mr. Wong completed GCE Advance level in 1993. He was admitted as a member of the Association of Chartered Certified Accountants in 1999. He became a member of the Institute of Certified Public Accountants of Singapore in 2009. In December 1996, he joined Kassim Chan & Co., under Deloitte Touche Tohmatsu in Kuala Lumpur and was involved in the auditing of companies of all sizes and special projects (such as due diligence, initial public offerings, review of forecast and projection). He then joined PricewaterhouseCoopers in Singapore in January 2000 and left in August 2002 when he was an assistant audit manager. In September 2002, he joined Carrefour Hypermarkets (Malaysia) as an internal audit manager. From November 2003 to November 2005, Mr. Wong managed Tim Gloss Marketing Sdn. Bhd., a company set up by him with business partner and some investors, which engaged in import and sale of consumable products. Mr. Wong then joined MEB Marketing Sdn.

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Bhd, a subsidiary of Muhibban Engineering (M) Bhd in November 2005 as Finance Manager. He joined CMZ Holdings Limited, a company listed on the Singapore Stock Exchange, in December 2006 as its chief financial officer. He was appointed as their company secretary in May 2010. He left CMZ Holdings Limited in November 2010 and joined our Group. Save as disclosed herein, Mr. Wong did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Ms. Siu Yuet Tong (邵月棠)

Ms. Siu Yuet Tong, aged 34, is our Marketing Manager. She joined our Group in January 2006. She assists our CEO in formulating and executing the Group's marketing and corporate sales strategy.

Ms. Siu graduated from the University of Leeds with a Master of Arts degree in Communications Studies in November 2000. She obtained a Master of Arts degree in Translation and Interpretation from The City University of Hong Kong in 2005. Ms. Siu had extensive experience in project management and marketing through her past work experience. She worked as a project coordinator with Radio Television Hong Kong from December 2000 to May 2001. She then served as an education resources assistant with the Education Department (currently Education Bureau) of the Hong Kong Government between September 2001 and January 2003. From December 2003 to November 2005, she was employed as a Product Development Assistant by Karrex HK Ltd (a trading company). Save as disclosed herein, Ms. Siu did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Ms. Yeo Bee Lian (楊美蓮)

Ms. Yeo Bee Lian, aged 48, is our Group's Human Resource and Administration Manager. She is responsible for our Group's recruitment and remuneration policies and system and supervising a team of customer service team.

Ms. Yeo was educated to GCE Ordinary Level in Singapore in December 1981. Prior to joining our Group, she worked as a general clerk in a trading firm between 1982 to 1987. She joined our Group as a general clerk in August 1987. Ms. Yeo also served our Group as a customer support staff. She has been in her present position with our Group since January 1990. She is also the spouse of Mr. Charlie Yip, an executive Director and a Controlling Shareholder. Save as disclosed herein, Ms. Yeo did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

Mr. Li Pak Wing, Joey (李柏榮)

Mr. Li Pak Wing, Joey, aged 42, is our Regional Retail Sales Manager in Hong Kong. He is responsible for our Group's Hong Kong retail operations and involves in developing sales and marketing strategies. He is also in charge of our in-house training programme for our Hong Kong staff.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li completed his secondary education in Hong Kong in July 1987. Mr. Li has been engaged in the retail business since his graduation. He was a sales executive with local companies engaging in retail from 1987 to 1989. He worked as sales supervisor with two local companies from 1989 to 1998. He joined our Group in March 1998 as a salesman before being promoted to our Outlet Sales Manager in April 2000 when he was in charge of the retail operations of a few retail stores and consignment counters. In July 2011, Mr. Li was promoted to his present position. Save as disclosed herein, Mr. Li did not hold any directorship in any listed companies during the Track Record Period and up to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Wong Yoon Thim is one of our joint company secretaries. Please refer to his biographical details in the sub-section headed “Senior Management” above.

Ms. Lim Yi Ping, aged 34, is our other joint company secretary (who has been appointed by our Board and who has been so nominated by Boardroom Corporate Services (HK) Limited (“BCS”) under an engagement letter made between our Company and BCS, pursuant to which BCS has agreed to provide certain corporate secretarial services to our Company). She is an executive director of Boardroom Corporate Services (HK) Limited where she was appointed in June 2007. In July 2010 and September 2010, Ms. Lim was also appointed as the director of Boardroom Share Registrars (HK) Limited and Boardroom LSC China Limited, respectively. She has been a Hong Kong Certified Public Accountant since September 2006. She has also been a member of Institute of Chartered Accountants in Australia and Australia Institute of Certified Public Accountants since July 2006 and March 2006 respectively. Ms. Lim is also on the Executive Committee of the Singapore Chamber of Commerce (Hong Kong). As of the Latest Practicable Date, Ms. Lim acted as the company secretary of VXL Capital Limited (stock code:727), a company listed on the Stock Exchange.

Ms. Lim graduated from the University of Queensland with a Bachelor of Commerce in December 1999. Between 2000 to 2002, she worked in the assurance and business advisory division in Arthur Andersen Singapore. She then joined Deloitte & Touche Financial Advisory Services in Singapore until May 2004 when she was transferred to Deloitte & Touche Corporate Finance Limited in Hong Kong where she worked till June 2007.

OUR GROUP’S RELATIONSHIP WITH EMPLOYEES

We recognize the importance of a good relationship with our employees. The remuneration payable to our employees includes salaries, allowances and commissions. We continue to provide training to our staff to enhance technical and product knowledge as well as sales skills and technique, and customer service.

Our Group offers our staff competitive remuneration packages. Our Group’s remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to our Group’s profitability, our Group may also provide a discretionary bonus to our employees as an incentive for their contribution to our Group. Our Directors confirm that the Group has been in compliance with the relevant requirements under the Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) as to our employees in Hong Kong. As advised by our Macau legal

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

advisor, there is no minimum wage regulation in Macau. Based on the clarification for the PRC minimum wage regulations by our PRC legal advisor, our Directors confirm that the wage of all employees that have signed labor contracts with the Group has been in compliance with the relevant requirements under the minimum wage regulation in the PRC.

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced staff. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

Welfare contributions

Our Group have participated in statutory provident fund schemes, retirement pension insurance, social insurance, medical insurance and/or housing insurance (as required under the law) in each of Hong Kong, Macau and the PRC and have complied with the same. For further details, please refer to section headed “Business — Employees — welfare contributions” of this prospectus.

Remuneration of our Directors

The aggregate amount of remuneration (inclusive of pension and bonus of our Directors) for the three years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2011 were approximately HK\$2.4 million, HK\$6.5 million, HK\$3.4 million and HK\$2.1 million respectively. Details of the arrangement for remuneration are set out in Note 13 to the Accountant’s Report in Appendix IA to this prospectus. Under such arrangement and pursuant to the Directors’ service contracts and letters of appointment referred to in the paragraph headed “Particulars of Directors’ service contracts” in Appendix VI to this prospectus, the aggregate amount of directors’ fees and emoluments payable to our Directors for the year ending 31 March 2012 is estimated to be approximately HK\$7.3 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us.

Share Option Scheme

We have conditionally adopted the Share Option Scheme whereby such selected classes of participants (as more particularly described in Appendix VI to this prospectus) may be granted options to subscribe for Shares at the discretion of the Board. The principal terms of the Share Option Scheme are summarized under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD COMMITTEES

Audit committee

Our Company established an audit committee (“Audit Committee”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed on 25 November 2011. The primary duties of our Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our Audit Committee comprises of Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang, all being independent non-executive Directors. Mr. Chan Yip Keung is the chairman of our Audit Committee.

Remuneration committee

Our Company established a remuneration committee (“Remuneration Committee”) on 25 November 2011 with written terms of reference. The primary functions of our Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. At present, our Remuneration Committee comprises of Ms. Lo Yee Hang, Mr. Chan Yip Keung and Mr. Chung Kin Fai. Ms. Lo Yee Hang is the chairman of our Remuneration Committee.

Nomination committee

Our Company established a nomination committee (“Nomination Committee”) on 25 November 2011 with written terms of reference. The primary functions of our Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and Board committees. At present, our Nomination Committee comprises of Mr. GK Yep, Mr. Chung Kin Fai and Ms. Lo Yee Hang. Mr. Chung Kin Fai is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. We would adopt the following corporate governance measures in relation to managing potential conflict of interests (if any) between our Group and our Directors (including independent non-executive Directors and the Controlling Shareholders):

- (a) Each Director has, pursuant to his service contract or engagement letter, covenanted with and undertaken to our Company that during the term of his/her service or appointment, he/she shall not, and shall procure that none of his/her associates shall, directly or indirectly, be engaged in or concerned with or interested in any business which is or may be in any respect in competition with the business carried on from time to time by our Group or any of the companies within our Group. However, the aforesaid restriction does not prohibit the holding (directly or through nominees) by a Director or his/her associates

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

of any securities listed on any stock exchanges as long as not more than 5% of the total voting rights attaching to the securities of the same class shall be so held (or, if such investment or holding is over 5%, our Directors concerned should seek the Board's prior written approval before making the relevant investment (with the relevant Director abstaining from voting) (on the condition that neither the relevant Director nor his/her associates participate in or are otherwise involved in the management of that company) and shall not restrict the holding of any securities of our Company. Subject to the exceptions as aforesaid, during the term of his/her being a Director and for a period of one year after the expiry or the termination of his/her service or appointment, a Director shall not, and shall procure that none of his/her associates will, directly or indirectly, (either alone or jointly with others or as manager or agent for any person, firm or company) engage or be engaged in Hong Kong or those regions and markets within the PRC or elsewhere in which any member of our Group operates or has operated any part of its business from time to time, whether directly or indirectly, in any business which is or may be in competition with the business carried on from time to time by our Group or any of the companies within our Group.

In principle, the Board will give its written approval for Directors to hold more than 5% of the total voting rights in any listed securities ("Investee Company") when it considers that such holding will not prejudice the interest of the Company and its Shareholders as a whole. In particular, a balance of the following criteria will be taken into account:

- (1) the revenue contributed by the competing or possibly competing sector as compared with the total revenue of the Investee Company — if the contribution is insignificant, the Board may, on balance, be more inclined to allow the 5% or more shareholding in the Investee Company;
 - (2) the shareholding structure of the Director concerned in the Investee Companies after such investment — if the Director concerned will become the single largest shareholder of the Investee Company, the Board may, on balance, be less inclined to allow the 5% or more shareholding in the Investee Company;
 - (3) the entitlement to board seat by the relevant Director in the Investee Company — if the Director concerned will also be entitled a major portion of the board seat of the Investee Company, the Board may, on balance, be less inclined to allow the 5% or more shareholding in the Investee Company; and
 - (4) other applicable factors (e.g. market sentiment, the development strategy of our Group at the material time) which the Board considers relevant from time to time.
- (b) Where a Board meeting is to be held for considering proposed transactions in which the relevant Controlling Shareholder(s)/Director(s) and/or their associates has a material interest, the relevant Controlling Shareholder(s) and/ or the overlapping Director(s) concerned may not vote on the resolutions of the Board approving the same and shall absent themselves from participation in such meetings, nor be counted in the quorum for the voting so as to ensure the relevant matters will be considered by disinterested Directors only.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (c) Where the advice from independent professional adviser, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses.

COMPLIANCE ADVISER

We will appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us, among others, under the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment our compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue excluding any Shares which may be sold upon the exercise of Over-allotment Option and the options to be granted under the Share Option Scheme, BSEL will own approximately 65.0% of the issued share capital of our Company.

BSEL is a company whose shareholders are the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun. Their respective shareholdings in BSEL are as follows:

<u>Name of shareholders of BSEL</u>	<u>No. of shares of BSEL held</u>	<u>Approximate shareholdings (%)</u>
Mr. CS Yip	5,619	34.6
Mr. GK Yep	5,619	34.6
Mr. Charlie Yip.....	1,468	9.0
Mr. David Yip.....	1,314	8.0
Mr. Tan Beng Gim	1,116	6.9
Ms. Chua Siew Hun.....	<u>1,116</u>	<u>6.9</u>
Total:	<u><u>16,252</u></u>	<u><u>100.0</u></u>

During the period commencing on 1 April 2008 and up to the time of implementation of the Reorganisation when the above persons were shareholders of each of OTO HK and OTO Macau (which were the key operating companies of our Group during the Track Record Period and up to the Latest Practicable Date), in the process of discussion and decision-making in the shareholders' meetings of each of OTO HK and OTO Macau, all decisions relating to the business, operations, financial matters and development of each of OTO HK and OTO Macau were subject to the then shareholders' unanimous decisions, and all their voting rights, in their capacity as shareholders of each of such Group companies, were exercised in the same manner. These individual persons have also signed an undertaking in favour of each other that they are prepared to continue to act in the above manner to consolidate their control of our Group, unless the decisions so made would be in breach of any applicable laws or regulations.

Accordingly, BSEL and each of the above individual persons are considered to be Controlling Shareholders of our Company.

Each of the Yip Brothers is a Director. Both Mr. Tan Beng Gim and Ms. Chua Siew Hun are Singapore nationals. They became the shareholders of OTO HK in March 2005. Both Mr. Tan and Ms. Chua do not have any interests in any entities which directly or indirectly compete with the business of our Group. They were not involved in the day-to-day management and operation of our Group. Neither of them received any emolument from our Group during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Non-disposal undertaking of each of the Controlling Shareholders

Pursuant to a shareholders' agreement dated 25 November 2011 entered into by each of the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun (as shareholders of BSEL) and BSEL, each of the Controlling Shareholders undertakes to each other that:

- (A) during the period from the date of the agreement to the date of 20 months from the Listing Date ("First Relevant Date"), none of the Shares held by BSEL shall be disposed of or encumbered, other than any Share sale or stock lending arrangement under or in connection with the Global Offering;
- (B) during the period eight months commencing on the date immediately after the First Relevant Date, the shareholders of BSEL ("BSEL Shareholders") shall (upon any BSEL Shareholder so making a written request to BSEL and the other shareholders, but subject to all applicable laws, regulations, Listing Rules and its articles of association being complied with) procure BSEL to distribute (within one (1) month after BSEL's receipt of such written request) not more than 50% of the total number of Shares then owned by BSEL to the BSEL Shareholders (or their respective nominees) in proportion to the BSEL Shareholders' respective shareholdings in BSEL, provided that:
 - (i) the remaining Shares ("Remaining Balance") not being subject to the above distribution shall not be disposed of nor encumbered for the period commencing the First Relevant Date and expiring on the date ("Second Relevant Date") falling eight (8) months from the First Relevant Date; and
 - (ii) if none of the BSEL Shareholders make a request for distribution in specie of the Shares, BSEL shall not effect any such distribution; and
- (C) on the date immediately following the Second Relevant Date, the BSEL Shareholders shall, subject to all applicable laws, regulations, Listing Rules and its articles of association being complied with, procure a distribution in specie of:
 - (i) (where a distribution will have been made in accordance with item (B) above during the period mentioned above) the Remaining Balance then owned by BSEL, or
 - (ii) (where no distribution will have been made in accordance with item (B) above during the period mentioned above) the entirety of the Shares then owned by BSEL,to the BSEL Shareholders (or their respective nominees) in proportion to the BSEL Shareholders' respective shareholdings in BSEL.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Consultant agreement entered into with ICH Capital Pte. Ltd.

ICH Capital Pte. Ltd. (an indirect wholly-owned subsidiary of ICH Group Ltd., one of the client-investors of ICH Advisors), the Controlling Shareholders (excluding BSEL) and OTO HK entered into a separate agreement (“ICH Consultant Agreement”) dated as of 12 July 2010 pursuant to which ICH Capital Pte. Ltd. agreed to provide certain consultancy services to the Controlling Shareholders (excluding BSEL) and our Group. Such services include: (i) introducing our Group and/or its affiliates to potential investors; (ii) reviewing pre-IPO investment term sheets; (iii) recommending professionals in connection with preparation for public listing and reviewing the mandate terms of the such professionals; (iv) collating corporate, financial and any other requisite information on our Group; (v) assisting our Group and/or its affiliates to provide information to professionals involved in preparation for public listing; and (vi) coordinating site visits, meetings and project timetable.

During the Track Record Period, no fee was paid by our Group to ICH Capital Pte. Ltd., though a fee of SG\$30,000 was accrued for the year ended 31 March 2011. Up to the Latest Practicable Date, the fees and out-of-pocket reimbursement paid by our Group to ICH Capital Pte. Ltd. amounted to approximately HK\$246,200 and HK\$32,900, respectively.

INFORMATION ON OTHER COMPANIES OWNED BY THE CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Immediately after completion of the Pre-IPO Investments and the Reorganisation, one or more of the Controlling Shareholders remain interested in the following companies (which are not members of our Group):

(a) OTO Singapore

OTO Singapore is incorporated in Singapore in July 1983. OTO Singapore is principally engaged in the retail sales of health and wellness products in Singapore. As at 31 August 2011, OTO Singapore had a total of 14 retail outlets in Singapore, comprising of 11 retail stores and three consignment counters with 84 staff in total. Before OTO Singapore ceased International Sales in December 2010, OTO Singapore also exported its health and wellness products to 22 international customers (including both distributors and international corporate customers) in jurisdictions including Mauritius, Thailand and Saudi Arabia and such International Sales amounted to approximately SG\$4.0 million, SG\$3.9 million and SG\$2.7 million, respectively. Such International Sales ceased in late December 2010, and since then OTO Singapore has been selling exclusively in Singapore and also exporting certain products to Malaysia. OTO Singapore had 22, 26, and 22 international customers for each of the three years ended 31 March 2011, respectively. All of the international customers (including both distributors and international corporate customers) of OTO Singapore before the cessation of its International Sales in December 2010 have become our Group’s international customers since January 2011.

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For each of the three years ended 31 March 2011, retail sales in Singapore accounted for approximately 60.7%, 70.3% and 72.6% of its total revenue, respectively, International Sales accounted for approximately 20.0%, 16.3% and 14.5% of its total revenue, respectively, corporate sales accounted for approximately 6.9%, 4.1% and 2.1% of its total revenue, respectively, and trading activities between OTO Singapore, OTO Malaysia and our Group as mentioned below accounted for approximately 12.4%, 9.3% and 10.8% of its total revenue respectively. Among the customers of OTO Singapore for each of the three years ended 31 March 2011, nil, two and seven customers, respectively, (all being customers of International Sales) were the same as the customers of our Group. These overlapping customers of OTO Singapore had sales of nil, HK\$0.4 million, and HK\$13.2 million and accounted for nil, 0.29% and 11.07%, respectively, of the total sales of OTO Singapore for each of the three the years ended 31 March 2011. These overlapping customers of the Group had sales of nil, HK\$4.5 million, and HK\$6.7 million, and accounted for nil, 1.56% and 3.21%, respectively, of the total sales of our Group for each of the three years ended 31 March 2011. Since January 2011, our Group and OTO Singapore have not had any overlapping customers. During the Track Record Period and up to the Latest Practicable Date, OTO Singapore sourced its products from the same manufacturers as those of our Group.

Based on the audited financial statements for each of the financial years ended 31 March 2009 and 2010 and the unaudited financial statements for the year ended 31 March 2011 of OTO Singapore (which however have not been reviewed or audited by our reporting accountants), (i) the total sales of OTO Singapore amounted to approximately SG\$19.8 million, SG\$23.8 million and SG\$18.9 million, respectively, (ii) the gross profit of OTO Singapore amounted to approximately SG\$10.7 million, SG\$13.2 million and SG\$10.7 million, respectively, and (iii) OTO Singapore had for the first two years net profits after tax (after adjustment for allowance on account receivables from OTO Malaysia) of approximately SG\$0.08 million and SG\$1.00 million, respectively and had a net loss (unaudited) for the year ended 31 March 2011 of approximately SG\$1.5 million. As at 31 March 2009, 31 March 2010, and 31 March 2011, the total assets of OTO Singapore were approximately SG\$8.3 million, SG\$9.1 million and SG\$7.1 million, respectively, and its net assets/(liabilities) were approximately SG\$(0.7) million, SG\$0.3 million and SG\$1.2 million, respectively.

Based on the unaudited financial statements of OTO Singapore for the year ended 31 March 2011, OTO Singapore had a net loss after tax of approximately SG\$1.5 million as compared to a net profit after tax of approximately SG\$1.0 million for the year ended 31 March 2010. The net loss after tax for the year ended 31 March 2011 was resulted from the decrease in total sales and gross profit for the relevant period of approximately SG\$4.9 million and SG\$2.5 million, respectively, as a result of general decrease in the sales of OTO Singapore's product range at retail outlets, the decrease in International Sales and corporate sales of approximately SG\$1.2 million and SG\$0.6 million, respectively. During the year ended 31 March 2011, the net loss after tax of OTO Singapore was also resulted from the increase in payroll cost by SG\$0.2 million (from approximately SG\$4.2 million for the year ended 31 March 2010 to approximately SG\$4.4 million for the year ended 31 March 2011) as a result of higher salaries and wages in Singapore, which was offset by a decrease in other expenses of SG\$0.5 million (from approximately SG\$7.4 million for the year ended 31 March 2010 to approximately SG\$6.9 million for the year ended 31 March 2011). During the relevant period, most of the other operating expenses, including advertising and promotion expenses, logistic expenses and

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commission paid to department store operators, decreased in line with the decrease in total sales, except for rental for retail stores which increased by SG\$0.2 million (from approximately SG\$1.8 million for the year ended 31 March 2010 to approximately SG\$2.0 million for the year ended 31 March 2011) due to higher rental demanded from the landlords of retail stores.

As at the Latest Practicable Date, the shareholding structure of OTO Singapore is as follows:

	Approximate shareholding	Position held
	(%)	
The Essence Shop Pte. Ltd. ⁽¹⁾	25.5	—
Mr. CS Yip (a Director).....	24.7	—
Mr. GK Yep (a Director).....	24.5	director and secretary
Ms. Yap Hui Meng (spouse of Mr. CS Yip)	8.6	director
Ms. Tan Swee Geok (spouse of Mr. GK Yep)....	8.7	director
ICH Group Ltd.	4.5	—
Aidan Investment Inc.....	2.0	—
Toe Teow Heng	1.5	—

Notes:

- (1) The Essence Shop Pte. Ltd. is owned by Mr. David Yip (an executive Director), Mr. Tan Beng Gim and Ms. Chua Siew Hun as to about 36.4%, 31.8% and 31.8%, respectively, who are also shareholders of BSEL. Its directors are Mr. David Yip and Ms. Chua Siew Hun.

During the Track Record Period and up to the Latest Practicable Date, Mr. GK Yep was a director of OTO Singapore and will continue to be a director of OTO Singapore after Listing. Mr. CS Yip was redesignated to full time employment of our Group in July 2011, and he was a director of OTO Singapore during the Track Record Period and up to 22 November 2011 when his resignation from such office took effect. Mr. David Yip was the Head of International Business of OTO Singapore responsible for International Sales until December 2010 and was redesignated to full time employment of our Group in January 2011.

During such period, other than Mr. CS Yip, Mr. GK Yep and Mr. David Yip, none of the Controlling Shareholders were involved in the daily operations and/or business of OTO Singapore.

During the Track Record Period and up to August 2011, Mr. Wong Yoon Thim was the financial controller of OTO Singapore. Since September 2011, he has been re-designated to full time employment as our Group Financial Controller and in November 2011 our joint company secretary.

Following the above re-designation to full time employment of our Group, none of Mr. CS Yip (other than being a director until his resignation with effect from the Latest Practicable Date), Mr. David Yip and Mr. Wong Yoon Thim have worked for OTO Singapore. As at the Latest Practicable Date and after the Listing, Mr. GK Yep will continue to hold certain offices and/or have certain engagement with OTO Singapore and OTO Malaysia (as the case may be). He will assume the

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day-to-day management functions of OTO Singapore and OTO Malaysia. He is, however, only a non-executive Director, and he will only be involved in the making of strategic or other important decisions of our Group. His role in OTO Singapore and OTO Malaysia therefore is not expected to affect his discharge of duties as a Director for our Group.

Save as disclosed above, none of the directors and senior management of our Group are the same as those of OTO Singapore. As at 31 March 2011, OTO Singapore had 84 employees (excluding those who were also directors and/or senior management of our Group). By function, these staff were deployed as follows:

Retail	48
Finance and administration	5
Advertising and promotion	3
Purchasing	2
Customer Service	16
Corporate Sales	1
Warehouse	7
Senior Management	<u>2</u>
Total	84

During the Track Record Period and up to the Latest Practicable Date, the lessors of retail premises and warehouses leased by OTO Singapore and the department stores with whom consignment agreements were made by OTO Singapore were different from those of our Group.


During the Track Record Period, OTO Singapore was one of the top five suppliers of our Group and such purchases from OTO Singapore amounted to approximately HK\$3.1 million, HK\$4.2 million (excluding the purchase of parts, which amounted to approximately HK\$0.14 million), HK\$4.9 million and HK\$0.04 million, respectively during the Track Record Period. We ceased such purchases from OTO Singapore in August 2011 and the products we previously purchased from OTO Singapore are now purchased directly from the manufacturers.

Before August 2011, we purchased certain products from OTO Singapore during peak seasons in order to satisfy customers' demands with short delivery time. The products purchased from OTO Singapore included relaxation products (such as massage chairs, foot massagers and shoulder and neck massager) and fitness products (such as slimming belt), all of which we also purchased from our suppliers. During the Track Record Period, we also sold certain products to OTO Singapore, which amounted to approximately HK\$1.0 million, HK\$0.7 million, HK\$0.1 million and HK\$0.1 million, respectively. The products we sold to OTO Singapore include certain spare parts such as adaptors and wires. We purchased/sold these products from/to OTO Singapore having considered, among other factors, the availability of such products at our Group's warehouse, the customers' demands on delivery time, the relatively longer lead time required by the relevant manufacturers for its production and delivery of the relevant products from the time of our order, and the availability of such products at our and OTO Singapore's warehouse.

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There was no fixed-term agreement entered into between OTO Singapore and OTO HK for such sales/purchases. The sales price of such products charged to/by OTO Singapore by/against us was determined mainly based on the purchase price of such products from the manufacturers, the shipping and logistics costs and custom duties, plus a margin of about 10-15%. Our Directors consider that such trading activities were conducted on normal commercial terms. As the relevant products were sold to our Group at prices equal to costs (comprising of purchase costs, shipping and logistics costs, etc.) plus a margin of 10% to 15% and such prices (the aggregate of which was lower than the sales price of the relevant products of our Group) were negotiated and agreed on arm's length basis, it is considered that there is no transfer pricing implication in connection with such trading activities between our Group and OTO Singapore.

Our purchases from/sales to OTO Singapore before August 2011 were made to meet customers' demands with short delivery time during peak seasons. Since August 2011, we have more closely communicated with our suppliers to better plan for future orders. Furthermore, in January 2011 we started to lease transitional warehousing space at loading port in Hong Kong, which provides us with greater flexibility in logistics arrangements, as well as additional warehousing space. For the above reasons, our Directors believe that the cessation of our purchases of products from OTO Singapore, and similarly, the cessation of our sales of products to OTO Singapore will not have any material adverse effect on our Group, whether financially or operationally.

Further, there were trading activities between OTO Singapore and our Group in connection with sales of certain goods from OTO Singapore to our Group (and vice versa) and/or certain delivery arrangement where orders placed by retail customers in Singapore to recipients in Hong Kong, Macau and the PRC. Under such arrangement, a retail customer may place orders at the local retail outlet(s) of OTO Singapore for “” brand products to be delivered to their overseas designated point of delivery located in Hong Kong, Macau or the PRC. Following the orders received through OTO Singapore, our Group would then arrange for the product ordered to be delivered to (or, as the case may be, collected by) the designated person by using its own inventory. The local retail outlet(s) would collect the sales proceeds and remit a portion of such proceeds (which is equivalent to the purchase price of such products from the manufacturers, the shipping and logistics costs and custom duties, plus a margin of about 10-15%) to our Group which arranged for the delivery of the product. A reciprocal arrangement existed for orders placed at retail outlets in Hong Kong and delivery/collection of the relevant products in Singapore. The total product sales of such transactions pertaining to the delivery arrangement in aggregate amounted to approximately HK\$13,000, nil, HK\$28,000 and nil, respectively during the Track Record Period. The retail prices of individual products in Singapore and Hong Kong may vary, with some products selling at a slightly higher retail price (net of the applicable value added tax in Singapore) in Singapore and other products selling at a slightly higher retail price in Hong Kong. However, there is no material differential between the retail prices of these two markets. As the remitted proceeds represent costs plus 10% to 15% margin, it is considered that there was no transfer pricing implication in connection with such trading activities between our Group and OTO Singapore. Our Directors confirm that the terms of such trading activities between our Group and OTO Singapore were on normal commercial terms.

To rationalise our Group's business operations, (i) OTO Singapore ceased sales to the international customers in January 2011; and (ii) the Group has ceased the above trading activities with OTO Singapore since August 2011. Please see section headed “financial independence” under “Independence from the Controlling Shareholders” below for details.

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(b) OTO Malaysia

OTO Malaysia is incorporated in Malaysia in January 1992. OTO Malaysia is principally engaged in the retail sales of health and wellness products in Malaysia. As at 31 August 2011, OTO Malaysia had a total of 13 retail outlets in Malaysia, comprising of nine retail stores and four consignment counters with 55 staff in total. None of the customers of OTO Malaysia for each of the three years ended 31 March 2011 were the same as the customers of our Group. During the Track Record Period and up to the Latest Practicable Date, all sales in Malaysia were retail sales, sold exclusively within Malaysia and did not export any of its products outside Malaysia. OTO Malaysia sourced all its products from OTO Singapore and not directly from the suppliers.

Based on the audited financial statements for each of the financial years ended 31 March 2009 and 2010 and the unaudited financial statement for the year ended 31 March 2011 of OTO Malaysia (which however have not been reviewed or audited by our reporting accountants), (i) the total sales of OTO Malaysia amounted to approximately MYR11.1 million, MYR8.8 million and MYR6.8 million, respectively, (ii) the gross profit of OTO Malaysia amounted to approximately MYR6.3 million, MYR4.9 million and MYR4.3 million, respectively, and (iii) the net loss after tax of OTO Malaysia amounted to approximately MYR3.1 million, MYR1.2 million and MYR0.98 million, respectively. As a result of difficult operating environment in the Malaysia market, OTO Malaysia had in 2009 decided to rationalize its operation and focus only on retail network in certain major cities of Malaysia. The net loss after tax for the year ended 31 March 2010 decreased by MYR1.9 million to approximately MYR1.2 million from approximately MYR3.1 million for the year ended 31 March 2009 was due mainly to higher decrease in operating expenses compared to the decrease in total sales of OTO Malaysia for the relevant period. The decrease in total sales and gross profit of OTO Malaysia for the year ended 31 March 2010 was due mainly to the closure of 10 retail outlets (comprised of one retail store and nine department store consignment counters) during the relevant period, and in line with the scale down exercise, the payroll cost decreased by MYR0.6 million (from approximately MYR3.1 million for the year ended 31 March 2009 to approximately MYR2.5 million for the year ended 31 March 2010), other operating expenses including advertising and promotion expenses and rental for retail stores and commission paid to department store operations, decreased by MYR1.9 million (from approximately MYR5.6 million for the year ended 31 March 2009 to approximately MYR3.7 million for the year ended 31 March 2010). Based on the unaudited financial statements of OTO Malaysia for the year ended 31 March 2011, the net loss after tax further decreased by MYR0.22 million during the relevant period to approximately MYR0.98 million as a result of the closure of another seven retail outlets (comprised of one retail store and six departmental store consignment counters), and while the total sales, gross profit decreased in line with the closure of retail outlets, the payroll cost decreased by MYR0.5 million (from approximately MYR2.5 million for the year ended 31 March 2010 to approximately MYR2.0 million for the year ended 31 March 2011), the other operating expenses decreased by MYR0.7 million (from approximately MYR3.7 million for the year ended 31 March 2010 to approximately MYR3.0 million for the year ended 31 March 2011). As at 31 March 2009, 31 March 2010, and 31 March 2011, the total assets of OTO Malaysia were approximately MYR6.8 million, MYR6.1 million and MYR5.8 million respectively, and its net liabilities were approximately MYR17.6 million, MYR18.8 million and MYR15.4 million, respectively.

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As at the Latest Practicable Date, the shareholding structure of OTO Malaysia is as follows:

	Approximate shareholding	Position held
	(%)	
Mr. CS Yip	45.8	—
Mr. GK Yep	45.8	director
Mr. Lim Meng Wah (<i>Note 1</i>)	0.4	director
ICH Group Ltd.	4.5	—
Aidan Investment Inc.	2.0	—
Toe Teow Heng	1.5	—

Notes:

- (1) Save for being a shareholder and a director of OTO Malaysia, Mr. Lim Meng Wah is an Independent Third Party/ does not have any equity interest nor assume any management role in any member of our Group.


During the Track Record Period and up to the Latest Practicable Date, Mr. GK Yep was a director of OTO Malaysia and will continue to be a director of OTO Malaysia after Listing. Mr. CS Yip was redesignated to full-time employment of our Group in July 2011, and he was a director of OTO Malaysia during the Track Record Period and up to 24 November 2011 (on which he ceased to be a director of OTO Malaysia). During such period, other than Mr. CS Yip and Mr. GK Yep, the Controlling Shareholders were not involved in the daily operations and/or business of OTO Malaysia. During the Track Record Period and up to August 2011, Mr. Wong Yoon Thim was the financial controller of OTO Malaysia. Since September 2011, he has been redesignated to full time employment as our Group's Financial Controller and joint company secretary. Since such re-designation, neither of Mr. CS Yip (other than being a director until his resignation with effect from the Latest Practicable Date) and Mr. Wong Yoon Thim have worked for OTO Malaysia.

Save as disclosed above, none of the directors and senior management of our Group are the same as those of OTO Malaysia. As at 31 March 2011, OTO Malaysia had 55 employees (excluding those who were also directors and/or senior management of our Group). By function, these staff were deployed as follows:

Retail	37
Finance & Administration	3
Advertising & Promotion	1
Purchasing	1
Customer Service	1
Warehouse	10
Senior Management	2
Total	55

During the Track Record Period and up to the Latest Practicable Date, the lessors of retail premises and warehouses leased by OTO Malaysia and the department stores with whom consignment agreements were made by OTO Malaysia were different from those of our Group.

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Before August 2011, there were trading activities between OTO Malaysia and our Group in connection with sales of certain goods from OTO Malaysia to our Group (and vice versa) and/or delivery arrangement where orders placed by retail customers in Malaysia to recipients in Hong Kong, Macau and the PRC. Under such arrangement, a retail customer may place orders at the local retail outlet(s) of OTO Malaysia for “” brand products to be delivered to their overseas point of delivery located in Hong Kong, Macau or the PRC. Following the orders received through OTO Malaysia, our Group would then arrange for the product ordered to be delivered to (or, as the case may be, collected by) the designated person by using its own inventory. The local retail outlet(s) would collect the sales proceeds and remit a portion of such proceeds (which is equivalent to the purchase price of such products from the manufacturers, the shipping and logistics costs and custom duties, plus a margin of about 10-15%) to our Group which arranged for the delivery of the product. A reciprocal arrangement existed for orders placed at retail outlets in Hong Kong and delivery / collection of the relevant products in Malaysia. The total product sales of such transactions pertaining to the delivery arrangement in aggregate amounted to approximately nil, nil, HK\$5,000 and nil, respectively, during the Track Record Period. The retail prices of individual products in Malaysia and Hong Kong may vary with some products selling at a slightly higher retail price in Malaysia and other products selling at a slightly higher retail price in Hong Kong. However, there is no material differential between the retail prices of these two markets. As the remitted proceeds represent costs plus 10% to 15% margin, it is considered that there was no transfer pricing implication in connection with such trading activities between our Group and OTO Malaysia. Our Directors confirm that the terms of such trading activities between our Group and OTO Malaysia were on normal commercial terms. To rationalise our Group’s business operation, our Group has ceased the above trading activities with OTO Malaysia since August 2011.

During the Track Record Period and up to the Latest Practicable Date, OTO Malaysia sourced its products from OTO Singapore only. Please see section headed “financial independence” under “Independence from the Controlling Shareholders” below for details.

Reasons for not including OTO Singapore and OTO Malaysia in our Group

Delineation in geographical sales

There is a clear geographical delineation in the business activities of our Group and that of OTO Singapore and OTO Malaysia. Our Group operates principally in Hong Kong, Macau and the PRC. In contrast, OTO Singapore and OTO Malaysia, which are historically under a different and independent local management team who handle and manage their daily operations, are in the retail business of selling health and wellness products to local domestic retail customers in Singapore and Malaysia. The retail markets in Singapore and Malaysia are influenced by different consumer preference, spending habits, income levels, economic and other considerations as those in Hong Kong, Macau and the PRC. Based on the experience of our Group’s management, customers of health and wellness products in Singapore and Malaysia are generally more conservative. Those in Singapore are more cost-conscious though responding well to promotion and discount, while those in Malaysia are generally with lower purchasing power. In contrast, customers of health and wellness products in Hong Kong, Macau and the PRC are more responsive to advertisements, have an active spending pattern and pay more attention to brands. In addition, the health and wellness retail markets in Singapore and Malaysia are

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mature and growth opportunities are limited. In contrast, growth opportunities in the PRC are on the rising trend having regard to the increasing household income, growing GDP and a huge population with substantial potential market. Hong Kong and Macau have been benefited with the large number of tourists from China with high spending power.

Delineation in development and growth strategies




There is also a clear delineation in development and growth strategies of our Group and those of OTO Singapore and OTO Malaysia. First, our Group mainly develops and promotes our brand and products via television advertising and spokespersons. On the contrary, OTO Singapore advertises mainly via the traditional channels such as newspapers, magazines, and radio, whereas OTO Malaysia advertises mainly via sales promoters and representatives at retail outlets due to different consumer habits and preferences. Second, our Group mainly sells our products via five different sales channels including retail stores, consignment counters, road show counters, corporate sales, and international sales whereas OTO Singapore sells its products mainly through retail stores and road show counters (representing approximately 35.8% and 24.2% of its total revenue for the year ended 31 March 2011, respectively) with a limited number of consignment counters and corporate sales, while OTO Malaysia sells its products mainly through retail stores (representing 63.8% of its total revenue for the year ended 31 March 2011) with a limited sales from consignment counters and road show counters. In addition, OTO Malaysia did not have any corporate or international sales during each of the three years ended 31 March 2011. Third, given the different operating cost structure and consumer retail markets of OTO Singapore and OTO Malaysia (including more conservative consumer spending habits and higher operating costs in these two markets), OTO Singapore and OTO Malaysia adopt a strategy to rationalize its sales and profit by offering product bundles, strategically closing retail outlets and controlling operating costs while our Group continues to expand via new opening of retail outlets in the PRC given the vast health and wellness product market and increasing consumer spending power.

Our Directors consider that the markets in Singapore and Malaysia have different growth paths and different expansion and development strategies from those of our Group's markets. During the Reorganisation and the introduction of new investors, we recognize that the Hong Kong, Macau and the PRC markets play a vital role in our Group's future growth. It is our Company's intention and strategy to focus on retail of health and wellness products in the fast growing markets of Hong Kong, Macau and the PRC. The Directors believe that excluding OTO Singapore and OTO Malaysia from our Group for the Listing is in line with such business strategy, and is in the interest of our Company and our Shareholders as a whole. We have no intention to acquire OTO Singapore or OTO Malaysia in the near term. This would allow our management team to focus our resources into growing the Hong Kong, Macau and the PRC markets. The net proceeds from the Global Offering are intended to apply principally to fund our business development in Hong Kong, Macau and the PRC.

Pursuant to the Non-Compete Undertakings described in the section headed "Non-Compete Undertakings" below, OTO Singapore and OTO Malaysia have undertaken to us to carry out their business activities only in Singapore and Malaysia. OTO Singapore has ceased its International Sales activities since December 2010.

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The Directors consider that parallel imports of health and wellness products from OTO Singapore and OTO Malaysia to Hong Kong or other jurisdictions are not likely for the following reasons:

- (i) the undertakings given by our Controlling Shareholders under the Non-compete Undertakings, whereby OTO Singapore and OTO Malaysia will focus only on its local retail sales of “” brand products. Please see section headed “Non-Compete Undertakings — Undertakings given by our Controlling Shareholders” below for details;
- (ii) it is costly for parallel imports to be made, taking into account potential import duty which may be charged by different jurisdictions, for example, import duty of 6% to 50% is payable on the transaction value of the goods (including freight costs and insurance premium) for the health and wellness products imported to China from Singapore or Malaysia. There is no import duty payable for goods imported to Hong Kong or Macau from Singapore or Malaysia. However, there could be substantial freight costs incurred for the import of goods from Singapore or Malaysia to other jurisdictions (i.e. freight cost by sea from Singapore to Hong Kong would cost about HK\$4,000 for the shipment of OTO Master Sense massage chair with a retail selling price of HK\$9,999 while it would cost about HK\$200 to ship OTO Power Repose, a back massager, with a retail selling price of HK\$2,484), rendering parallel imports to be not practical;
- (iii) the Group has adopted the policy that the initial free warranty of repair and/or replacement of any health and wellness product purchased from the Group is only given with the provision of a proper invoice issued by the Group. Any product purchased from OTO Singapore or OTO Malaysia will not enjoy such warranty given by our Group (and vice versa). This measure will deter customers from making purchases from unauthorised distributors;
- (iv) the “” brand products purchased by each of our Group, OTO Singapore and OTO Malaysia from the relevant product suppliers are given serial numbers. Such information is provided to the Group to trace the “” brand products sold and the product movement (including those sold by OTO Singapore and OTO Malaysia) in the process to check and identify any products originated from OTO Singapore and/or OTO Malaysia being sold outside of Singapore and Malaysia (as the case may be) via its market surveillance. In case of any breach of any of the Non-compete Undertakings entered into between our Controlling Shareholders and our Group, the non-defaulting party may take remedial action and/or legal action to seek remedy against its losses incurred;
- (v) OTO Singapore and OTO Malaysia have undertaken in favour of the Group to allow the Group’s access to its record for monitoring the performance of the non-compete undertakings given. The Group will request its auditors or other relevant advisers to conduct review of such records on an annual basis to ensure the relevant undertakings being performed.

As at the Latest Practicable Date, there was no listing plan for OTO Singapore and OTO Malaysia.

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INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected Transactions” in this prospectus, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Our Group is capable of carrying on our business independently and does not place undue reliance on our Controlling Shareholders, taking into consideration the following factors:

Business Independence

Each of Mr. CS Yip, Mr. Charlie Yip and Mr. David Yip entered into service agreements on 25 November 2011 with our Company for a term of three years commencing 1 December 2011. Such service agreement may not be terminated by any executive Director by notice, and may only be terminated by the Company upon the occurrence of events prescribed under such agreement, such as a Director being subject to bankruptcy or disqualification order, or committing any continued material breach of the terms of the service agreements. Our executive Directors are committed to devote substantially all of their time to our Group. Mr. CS Yip, Mr. Charlie Yip and Mr. David Yip have been director(s) of one or more members of our Group. They have not only been overseeing the strategic development of our Group, but also involved in the daily operations and management of our Group, and cultivating business opportunities for our Group. Mr. GK Yep is principally managing the operations of OTO Singapore and OTO Malaysia, and therefore will not be an executive Director of our Group. Given his previous participation in our Group’s strategic development during its inception years and his shareholdings in our Group, Mr. Yep will be our non-executive Director. Each of Mr. CS Yip, Mr. Charlie Yip and Mr. David Yip will continue to be involved in the daily operations and management of the Group in accordance with the terms of the service agreement(s) entered into with our Company. Mr. Tan Beng Gim and Ms. Chua Siew Hun do not participate in the day-to-day operations and management of our Group.

Our Group has independent access to suppliers of our products. During the Track Record Period, except for OTO Singapore (as disclosed in the paragraph headed “OTO Singapore” and “OTO Malaysia” above, which transaction amount was insignificant), none of our Controlling Shareholders or their respective associates was a supplier or an intermediary for our Group’s suppliers. Save for the involvement of Mr. CS Yip, Mr. Charlie Yip and Mr. David Yip in the operations and management of our Group in their capacity as our Directors, we have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholders or their associates to carry on our business during the Track Record Period.

Management and Administrative Independence

Our Board comprises of three executive Directors, one non-executive Director and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential

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conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Mr. CS Yip, Mr. Charlie Yip and Mr. David Yip are executive Directors who will oversee the daily operations of our Group. Mr. GK Yip has agreed to act as a non-executive Director, and he will not oversee the daily operations of our Group. All other essential management functions have been and will be carried out by the other Directors and management of our Group, without unduly requiring the support of the Controlling Shareholders and/or their respective associates. Our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders after the Global Offering.

Financial Independence

During the Track Record Period, there were some trading activities and current account balances between our Group and each of OTO Singapore and OTO Malaysia. For each of the three years ended 31 March 2011, the aggregate amount of trade sales and trade purchases made by our Group with OTO Singapore and OTO Malaysia were approximately HK\$4.2 million, HK\$5.0 million and HK\$5.0 million, respectively. As at 31 March 2011, the aggregate amount of account payables to OTO Singapore and account receivables from OTO Malaysia to our Group represent approximately 5.7% and 0.5% of our respective current liabilities and current assets, respectively. These balance were settled in full as at the Latest Practicable Date.

Save as disclosed as aforesaid, as at the Latest Practicable Date, there were no other loans, advances and balances due to or due from our Controlling Shareholders and their associates, and all security and guarantees provided by our Controlling Shareholders and their/its associates on our Group's borrowings will be fully released upon Listing.

Our Group has its own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments, as well as independent access to third party financing. As such, our Directors believe that we are financially independent from our Controlling Shareholders and their/its associates.


FINANCIAL ASSISTANCE TO OUR GROUP DURING THE TRACK RECORD PERIOD

During the Track Record Period, our Group's secured bank borrowings were supported by personal guarantees provided by Mr. GK Yip, Mr. Charlie Yip and Mr. CS Yip.

Upon Listing, the personal guarantees above will be released and replaced by the corporate guarantees given by the Company and/or other members of the Group.

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ASSIGNMENT AND LICENSING OF CERTAIN TRADEMARKS OWNED BY OUR GROUP

During the development of our Group, OTO HK first became the proprietor of the “” trademark registered in Hong Kong in 2002. In 2005, such trademark was assigned to OTO Singapore at a consideration of HK\$10. Subsequently, OTO Singapore arranged for registration or applications for registration of various trademarks in Hong Kong, Macau, the PRC and various jurisdictions. No royalty or licence fee was charged by OTO Singapore to our Group.

In order to rationalise the commercial relationship between these entities after the Listing, as part of the Reorganisation:

- (a) by a trademark assignment dated 30 June 2011 and made between OTO Singapore (as assignor) and OTO HK (as assignee), all the trademarks owned by OTO Singapore were assigned by OTO Singapore to our Group at a nominal consideration of HK\$1; and
- (b) by a trademark licence agreement dated 30 June 2011 and made between OTO HK (as licensor) on the one part and OTO Singapore and OTO Malaysia (as licensees) on the other part, OTO HK granted to OTO Singapore and OTO Malaysia a non-exclusive and a non-transferable licence to use the trademarks (then assigned to OTO HK as mentioned above and which trademarks are registered in Singapore and Malaysia) only in relation to the following goods which are marketed, sold and/or distributed by the relevant licensees and the related marketing and promoting activities within the jurisdictions of Singapore and Malaysia:
 - (A) the goods which are sourced or purchased from OTO HK or our Company or any of our subsidiaries; and
 - (B) the health and wellness products/bodycare products which are sourced or purchased from the manufacturers of such products as designated by OTO HK at the own costs of the relevant licensee.



Under such licence agreement, each licensee is required to pay an annual licence fee of HK\$1 to the Licensor during the term of the agreement. The term of the licence agreement is 20 years from the date of such licence agreement, subject to the early termination provisions contained in such agreement. The events which may trigger early termination include breach of any term of the licence agreement by the relevant licensee, or when the licensee becomes unable to pay its debts as they fall due, or when the aggregate holdings of the Yip Brothers in the equity-holdings of the relevant licensee fall below 30%. The licence granted in respect of any particular trademark is provided to expire or be terminated upon the cessation of the registration of such trademark or upon it being disposed of by our Group.

SHARING OF RESEARCH AND DEVELOPMENT EXPENSES

During the Track Record Period, the R&D functions of the health and wellness products distributed by our Group were led by Mr. CS Yip. Before January 2011, Mr. CS Yip performed his R&D role with the assistance of staff of OTO Singapore and OTO HK. Mr. CS Yip, as our Director

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and a director of OTO Singapore and OTO Malaysia, devotes approximately 25% of his time in R&D functions, which drives the development of new products. His salary was then entirely paid by OTO Singapore. The amount of salary (inclusive of bonus, allowances and other benefit-in-kind) paid to Mr. CS Yip by OTO Singapore for each of the three years ended 31 March 2011 amounted to approximately SG\$223,000, SG\$232,000 and SG\$248,000 respectively, of which 25% has been apportioned as part of the R&D Expenses for OTO Singapore. For more details, please see the paragraphs headed “Master Agreement”, “Historical transaction value” and “Expected R&D Expenses and Annual Caps for the three years ending 31 March 2014” under the section headed “Connected Transactions — (B) Continuing connected transactions subject to the reporting and announcement requirements”. As Mr. CS Yip’s employment was re-designated to our Group in July 2011, his salary has been paid by our Group since then.

Since about August 2010, OTO HK has been retaining the services of a Japanese technical consultant to support our R&D functions. Under the consultant agreement, the Japanese technical consultant is entitled to a monthly consultant fee and reimbursement of travelling and accommodation expenses incurred in the course of his service to our Group. The services rendered by such consultant to our Group includes evaluation of manufacturing and quality control capability of potential candidates for manufacturers of “” brand products, evaluation of product samples, liaison with manufacturers on refining and improving existing “” brand products and performing feasibility study in such respect, assessment on products and production facilities prior to commencement of mass production and assessment on finished products prior to release for delivery.

Further, in January 2011, certain cosmetic design functions were performed by an external design house engaged by OTO HK. Under the agreement made by our Group with such design house we pay an annual fee in consideration of the design house agreeing to develop and/or update (and, if requested by our Group, refine) the external appearance or visual (but not the technical or engineering) design of eight existing or new products of our Group and the fee in the sum of SG\$68,200 is paid in roughly 12 equal installments. If the design house fails to develop any visual design, the service fee will be reduced on a pro rata basis. If visual design for additional products is required or the term of the agreement is to be extended, further agreement will be negotiated and (where applicable) made by our Group with the design house. In the same month (i.e. January 2011), OTO Singapore ceased to perform any R&D supporting functions.

In line with the Group’s strategy to develop the Hong Kong, Macau and the PRC markets, Mr. CS Yip was re-designated to become a full-time staff of our Group with effect from 1 July 2011. He is assisted by a designated R&D supporting team established in Hong Kong. It is expected that Mr. CS Yip will continue to devote about 25% of his time in the course of his employment with our Group in the R&D of new products, with the said support team in Hong Kong as well as the above consultant and design house. Notwithstanding the cessation of the R&D support from OTO Singapore in January 2011, our Directors are not aware of, nor expect, any material financial or operational consequences on our Group. As Mr. CS Yip has been the main driving force of our Group’s product design and development and was re-designated as a full-time staff of our Group to lead (among other functions) the R&D team, the transition of the R&D functions has been smooth. We also believe that our present R&D team which includes Mr. CS Yip, four staff, the support from the Japanese technical consultant and the design house, is adequate and provides a more effective and efficient workflow for our R&D functions.

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The manufacture of the health and wellness products is entirely carried out by designated manufacturers (“Designated Manufacturers”) owned or operated by Independent Third Parties on an ODM or OEM basis.

By a master agreement dated 25 November 2011 and made between our Group, OTO Singapore and OTO Malaysia, it has been agreed that:

- (a) our Group will continue to undertake the R&D of the health and wellness products distributed by our Group;
- (b) upon Listing, OTO Singapore and OTO Malaysia and our Group will share the R&D expenses on an annual basis, and the R&D expenses for a particular year will be shared by the said parties in proportion to the audited turnover of the said parties during the relevant year; and
- (c) OTO Singapore and OTO Malaysia are entitled to order health and wellness products from the Designated Manufacturers directly, without making any purchases from or through our Group, and in consideration of the sharing of the R&D expenses as referred to in sub-paragraph (b) above, our Group will provide the Designated Manufacturers the necessary consents for the supply of the health and wellness products to OTO Singapore and OTO Malaysia having the same or similar designs and functionalities with/to those of our Group.

This agreement will have a term of three years from 25 November 2011 (being the date of the agreement being entered into) and our Group has been granted an option to renew (subject to compliance with the provisions of the then prevailing Listing Rules) upon its expiry the agreement for a period of three years under the same terms.

Please refer to section headed “Connected Transactions — (B) continuing connected transactions subject to the reporting and announcement requirements” for details regarding the illustration of sharing of the R&D expenses.

NON-COMPETE UNDERTAKINGS

Undertakings given by our Controlling Shareholders

OTO Singapore is approximately 92.0% owned by the Controlling Shareholders (except BSEL and Mr. Charlie Yip) and OTO Malaysia is about 92.0% owned by Mr. CS Yip and Mr. GK Yep. The principal activities of OTO Singapore and OTO Malaysia are in the retail business of selling health and wellness products in Singapore and Malaysia, respectively. Our Group’s principal activities are in Hong Kong, Macau, the PRC and other regions of the world (except Singapore and Malaysia). In view of the clear geographical delineation, our Directors believe that the Non-Compete Undertakings as described below afford sufficient protection to our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Save as mentioned above or in the term of “Excluded Business” defined below, each of our Controlling Shareholders and its associates currently does not have any interest in a business which competes or is likely to compete, either directly or indirectly, with the Group’s business.

By an agreement dated 25 November 2011 and made between our Company on the one part and the Controlling Shareholders on the other part, each of our Controlling Shareholders has undertaken (“Non-Compete Undertakings”) in favour of our Company that during the Relevant Period (as defined below), each Controlling Shareholder shall (and he/it shall procure his/its associates will):

- (a) save for the Excluded Business (as defined below), not, directly or indirectly, invest in, be engaged in or participate in any business or activity which will or may compete with the business currently and from time to time engaged by our Group (the “Restricted Business”), including but not limited to the marketing, sales, distribution and/or supply of any health and wellness products in the Restricted Territories and that none of our Controlling Shareholders will set up any retail outlets in the Restricted Territories for the sales, distribution and/or supply of such products;
- (b) not directly or indirectly market, sell, distribute and/or supply any product to any person(s) based in Singapore or Malaysia, where he/it and/or any of his/its associates knows that such products are destined to be sold, distributed or supplied within the Restricted Territories;
- (c) not solicit any existing or then existing employee of our Group for employment by him/it and/or his/its associates (excluding our Group);
- (d) not, without our consent, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our Controlling Shareholder or, as the case may be, a Director for the purpose of competing with the Restricted Business and the business of our Group from time to time;
- (e) in respect of any order placed with him/it and/or his/its associates in any Relevant Capacity for the sales, distribution, and/or supply of any product currently and from time to time distributed by our Group (the “Relevant Products”) in or to the Restricted Territories, unconditionally use reasonable endeavours to procure that such customer(s) appoint or contract directly to our Group for the sales and/or supply of the Relevant Products under the relevant order in the Restricted Territories;
- (f) in respect of any new business opportunity identified, being proposed or offered to participate by him/it and/or his/its associates for the carrying on, investment in or engagement in any principal business in any Relevant Capacity (the “New Business Opportunity”) currently and from time to time engaged by our Group in a Restricted Territory, including but not limited to the marketing, sales, distribution and/or supply of the Relevant Products or any of them in a Restricted Territory, refer, or shall procure his/its associates or (where such New Business Opportunity has been proposed or offered to him/it and/or his/its associates by a third party) to refer, such New Business Opportunity to our Group by giving a written notice (which shall contain all information of, and the relevant terms and conditions for, the New Business Opportunity obtained thereby)(the “Referral

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Notice”) within 14 days after he/it and/or his/its associates has identified, has been proposed or offered to participate in the New Business Opportunity, and our Board will first decide whether or not to take up such opportunity and if our Board shall decide not to take up such New Business Opportunity, our independent non-executive Directors will review such decision of the Board and if they decide that our Company shall take up such New Business Opportunity, our Board shall take all actions as may be necessary, including passing the requisite resolutions, to give full effect to the decision of our independent non-executive Directors; and

- (g) allow our Group’s access to his/its record for monitoring the performance of the Non-Compete Undertakings given.

Under the Non-Compete Undertakings, for any New Business Opportunity which arises in any Restricted Territory, even if such New Opportunity is refused by our Group, it may not be taken up by our Controlling Shareholders or their associates (except through our Group) but can only be taken up by Independent Third Parties.

In consideration of the Non-Compete Undertakings given by the Controlling Shareholders, our Company has agreed that during the Relevant Period:

- (i) that OTO Singapore and OTO Malaysia may carry on their businesses of distribution of health and wellness products only in Singapore or Malaysia;
- (ii) our Group will not knowingly distribute our health and wellness products to customers based in Singapore or Malaysia nor will our Group set up any retail outlets in Singapore or Malaysia for the sale, distribution and/or supply of our health and wellness products in these territories; and
- (iii) in case of our becoming aware of any business opportunity relating to distribution of health and wellness products in Singapore or Malaysia, we will notify OTO Singapore or OTO Malaysia (as the case may be) of such business opportunity.

For the purpose of the Non-Compete Undertakings:

- (A) “Relevant Period” means the period commencing from the Listing Date and expiring on the earlier of the date on which (a) a Controlling Shareholder and his/its associates (individually or taken as a whole) cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be considered as a controlling shareholder (within the meaning ascribed to it under the Listing Rules from time to time) of our Company and do not have power to control the majority of the Board; or (b) the Shares cease to be listed on the Stock Exchange;
- (B) “Relevant Capacity” means for its own account or for that of any person, firm or company other than any member of our Group and whether through the medium of any company which is its associate (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or controlled by any of its associates) or as principal, partner, director, employee, consultant or agent;

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- (C) “Restricted Territories” or “Restricted Territory” means any country, region or jurisdiction outside Malaysia and Singapore; and
- (D) “Excluded Business” means any of the following business:
 - (a) the direct or indirect investments of any of our Controlling Shareholders and/or his/its associates (excluding our Group) in any member of our Group; and
 - (b) the supply and/or provision of any products by any of our Controlling Shareholders and/or its/his associates (excluding our Group) to or for our Group in the Restricted Territories.

In addition, under the Non-Compete Undertakings, each of our Controlling Shareholders has undertaken to our Company that he/it shall provide to our Company and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertakings. Such review results will be disclosed in our Company’s annual reports after Listing. Each of our Controlling Shareholders has also undertaken to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of the relevant Controlling Shareholder and its/his associates to ensure their compliance with the terms and conditions of the Non-Compete Undertakings. Each of our Controlling Shareholders has also undertaken to issue an annual confirmation to us on compliance with the terms of the Non-Compete Undertakings, and consenting to the disclosure of such confirmation in the annual reports of our Company, thereby enabling our Company to keep monitoring the relevant compliance by our Controlling Shareholders.

Each of the Controlling Shareholders further undertakes to our Company:

- (A) to supply to the Company prior to the Listing with full and accurate details of any business or interest (if any) which the relevant Controlling Shareholder and/or his/its associates have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interests (if any) which the relevant Controlling Shareholder has or may have with our Group and whether the relevant Controlling Shareholder and/or his/its associates intends or does not intend to inject such business or interest into our Group;
- (B) at any time during which our Company is listed on the Stock Exchange and for so long as the Controlling Shareholders and/or their/its respective associates is regarded, whether individually or taken together, as a controlling shareholder within the meaning of the Listing Rules, notify our Company forthwith of any changes of the details and information referred to in paragraph (A) above so as to enable our Company to disclose, if required, such information by way of an announcement and, if so required by the Stock Exchange, include such information in all circulars, annual reports, half-year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (C) to procure any Director from time to time nominated by the Controlling Shareholders:
- (i) to disclose to our Company prior to the Listing and at any time during which our Shares are listed on the Stock Exchange full and accurate details of any business or interest (if any) which such Director and/or his associates has or may have which competes or may compete directly or indirectly with the business from time to time carried on by our Group and any other conflicts of interest (if any) which such Director has or may have with our Group;
 - (ii) to notify our Company forthwith of any changes of the details and information referred to in paragraph (C)(i) above, including any such business or interest acquired by such Director and/or his associates after the Listing so as to enable our Company to include such information in its annual reports and, if so required by the Stock Exchange, its half-year reports, quarterly reports, announcements and/or circulars.

The Controlling Shareholders acknowledge that and, if so required by our Company, procure such Director(s) referred to in paragraph (C) above to acknowledge that the information supplied to our Company pursuant to paragraphs (A), (B) and/or (C) above will or may be disclosed by our Company in this prospectus, circulars, reports, announcements and other statements to the Stock Exchange and/or any regulatory authorities and their respective officers and employees from time to time issued by our Company and that such disclosure is required by our Company in order to comply with the requirements of the Stock Exchange and/or other regulatory bodies.

Confirmation given by other Directors

Save as disclosed above, each Director confirms that he/she does not have any competing business with our Group.

CONNECTED TRANSACTIONS

Upon Listing, the transactions set forth below will or will be expected to constitute continuing connected transactions (as such term is defined under the Listing Rules) for our Company under Chapter 14A of the Listing Rules.

Relationship between our Group and the connected persons

The relevant connected persons with whom certain members of our Group have entered into continuing connected transactions are as follows:

(i) OTO Singapore

Upon Listing, the Controlling Shareholders (other than BSEL and Charlie Yip) together will own approximately 92.0% of the issued share capital in OTO Singapore. As at the Latest Practicable Date, Mr. GK Yip was a director of OTO Singapore. Accordingly, upon Listing, OTO Singapore will become a connected person of our Company for the purpose under Rule 14A.11(4) of the Listing Rules.

(ii) OTO Malaysia

Upon Listing, Mr. CS Yip and Mr. GK Yip together directly will own approximately 92.0% respectively of the issued share capital in OTO Malaysia. As at the Latest Practicable Date, Mr. GK Yip was one of its directors. Accordingly, upon Listing, OTO Malaysia will become a connected person of our Company for the purpose under Rule 14A.11(4) of the Listing Rules.

Under the Listing Rules, for so long as each of Mr. Charlie Yip, OTO Singapore and OTO Malaysia remains a connected person of our Company, the following transactions between our Group and each of them would constitute continuing connected transactions for our Company upon Listing.

(A) Exempted continuing connected transactions

Upon Listing, the following continuing connected transaction(s) under this paragraph (A) will constitute exempt connected transaction(s) for our Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent Shareholders' approval requirements stipulated under the Listing Rules because they are conducted on normal commercial terms where each of the percentage ratios (as defined in the Rules) (other than the profits ratio as defined in the Listing Rules) of the following transactions is on an annual basis less than 0.1% or less than 5% and the annual consideration is less than HK\$1 million.

Tenancy agreement with Mr. Charlie Yip regarding staff quarter

Pursuant to a tenancy agreement dated as of 1 September 2011 and entered into between OTO HK as tenant and Mr. Charlie Yip (our executive Director) on behalf of the landlords (being Mr. Charlie Yip and his spouse, Ms. Yeo Bee Lian), the landlords agreed to lease a residential property located in the Western District in Hong Kong as a staff quarter for a term from 1 June 2011 to 31 May 2013 at an annual rental of HK\$144,000. The annual rental was determined after making reference to



CONNECTED TRANSACTIONS


the rental of residential units of similar size in the same building and is in line with the market rate at the time of signing of the tenancy agreement. The Directors consider that the rental payable by OTO HK is at the prevailing market rate and such tenancy agreement is on normal commercial terms and fair and reasonable and in the interests of our Company and our Shareholders as a whole.

(B) Continuing connected transactions subject to the reporting and announcement requirements


A waiver application from strict compliance with the relevant announcement requirement has been submitted to and granted by the Stock Exchange.

Background for the agreement for sharing of research and development fees

As mentioned in the section “Undertakings given by our Controlling Shareholders”, OTO Singapore and OTO Malaysia will continue their businesses of sales of “” brand health and wellness products in Singapore and Malaysia, while our Group will carry on the businesses of sales and distribution of “” brand health and wellness products in the PRC, Hong Kong and Macau and all other parts of the world (except Singapore and Malaysia).

As mentioned in the section headed “Relationship with Controlling Shareholders — Sharing of Research and Development Expenses”, the design, R&D functions of the health and wellness products distributed by our Group were led by Mr. CS Yip, with the assistance of OTO HK and OTO Singapore. Since January 2011, OTO Singapore has ceased to render the R&D support functions to our Group. To enable OTO Singapore and OTO Malaysia to continue to sell products under the “” brand in their respective markets, including any new products developed, our Directors believe that it is in the interest of our Company to share our Group’s R&D Expenses in developing new products with each of OTO Singapore and OTO Malaysia according to their respective turnovers. Although OTO Singapore and OTO Malaysia will be sharing the R&D expenses with our Group, our Group will own the intellectual property rights of the new products as referred to in the section headed “Connected Transactions — Master Agreement” below.

Master Agreement


On 25 November 2011, our Group entered into an agreement (“Master Agreement”) for sharing of R&D Expenses with OTO Singapore and OTO Malaysia, pursuant to which the parties have agreed to share the R&D Expenses of new product development on the terms and conditions stated therein, and OTO Singapore and OTO Malaysia are allowed to source the “” brand products directly from the Designated Manufacturers.

The Master Agreement will have a term of three years from 25 November 2011 (being the date of the agreement being entered into) and our Group has an option to renew (subject to the requirements under the Listing Rules being complied with) the agreement upon its expiry for a further term of three years under the same terms.

CONNECTED TRANSACTIONS

Under the Master Agreement dated 25 November 2011 made between our Group, OTO Singapore and OTO Malaysia, it has been agreed that:

- (a) our Group will continue to take charge of the R&D of the health and wellness products distributed by our Group;
- (b) following the Listing, OTO Singapore, OTO Malaysia and our Group will share the R&D Expenses on an annual basis, and the R&D Expenses for a particular year will be shared by the said parties in proportion to the turnover of the said parties accrued during the same year; and
- (c) OTO Singapore and OTO Malaysia are entitled to order health and wellness products from the Designated Manufacturers (as defined under section headed “Relationship with Controlling Shareholders — sharing of research and development expenses”) directly, without making any purchases from or through our Group.

To ensure that our Group will continue to direct and control the innovation and development of our products and will own the intellectual property rights in connection with such products after Listing, our Group has taken up the R&D functions of the “” brand health and wellness products. However, to allow OTO Singapore and OTO Malaysia (which do not form part of our Group) to procure products (including newly developed products) from our designated suppliers directly for their distribution in Singapore and Malaysia, our Directors consider it to be fair and reasonable and in the interest of our Group and all independent Shareholders taken as a whole to have our Group, OTO Singapore and OTO Malaysia to share the R&D Expenses in accordance with the terms of the above agreement.

Our Group did not apply for the registration of nor own any patent for any of its products developed, having regard to the relatively short product marketing cycle of its products as well as the time and financial resources required for completing the registration of any such patent. To ensure that the design of our products will not be easily released to third parties, staff in the R&D department of our Group and our suppliers have given contractual undertakings in favour of our Group to preserve and maintain our technological and other commercial secrets. In addition, our Group has been spending efforts and resources to build up our brands and differentiate our products from our competitors by more innovative product design, stronger marketing and promotion, as well as registering our trademarks in different jurisdictions.

Historical transaction value

The R&D Expenses consist of salaries of the R&D team staff (including apportionment of 25% of Mr. CS Yip’s salary), mould expenses, Japanese technical consultant (since August 2010), fee for

CONNECTED TRANSACTIONS

external design house (since January 2011) and travelling expenses. The pro-forma R&D Expenses and the actual R&D expenses shared by each of our Group, OTO Singapore and OTO Malaysia during the three years ended 31 March 2011 are illustrated as below:

Financial year ended 31 March	Entity	Turnover (HK\$'000)	Sharing ratio (Note)	Pro-forma Share of R&D Expenses (HK\$'000)	Actual R&D Expenses incurred (HK\$'000)
2009.....	Our Group	144,229	48%	870	718
	OTO Singapore	124,975	42%	754	1,079
	OTO Malaysia	28,542	10%	172	—
2010.....	Our Group	289,283	63%	1,305	998
	OTO Singapore	150,033	32%	677	1,087
	OTO Malaysia	22,625	5%	102	—
2011.....	Our Group	209,402	60%	1,223	875
	OTO Singapore	119,635	35%	699	1,150
	OTO Malaysia	17,663	5%	103	—

Note: The sharing ratios above are calculated by dividing the audited turnover of the relevant entity by the aggregate of the audited turnovers of our Group, OTO Singapore and OTO Malaysia for the respective year.

As compared with the actual R&D Expenses incurred by our Group, our Group would have incurred additional amounts of R&D Expenses of approximately HK\$0.15 million, HK\$0.31 million and HK\$0.35 million, respectively during each of the three years ended 31 March 2011, assuming the above sharing arrangement had existed during each of the three years ended 31 March 2011.

During the Track Record Period, the R&D Expenses were not shared between our Group, OTO Singapore and OTO Malaysia as they were then under the common control of the Controlling Shareholders (except BSEL). In addition, as the differences in the actual R&D Expenses incurred and the pro-forma R&D Expenses in each of the said three years is immaterial, the Directors do not consider it necessary to re-apportion the sharing of the R&D Expenses for the Track Record Period.

Expected R&D Expenses and Annual Caps for the three years ending 31 March 2014

It is expected that our Group's R&D Expenses for the three years ending 31 March 2014 comprise of the following:

- (i) Payroll expenses for our research and development team led by Mr. CS Yip, which amounted to HK\$1.4 million, HK\$1.6 million and HK\$1.6 million, respectively for the three years ending 31 March 2014.

CONNECTED TRANSACTIONS

- (ii) payment to external design house and consultant: costs and fees payable to the external design house and Japanese technical consultant (which are estimated to be in the amount of HK\$0.7 million per annum);
- (iii) plant visit expenses amounting to approximately HK\$0.1 million, HK\$0.2 million and HK\$0.2 million, respectively, for the three years ending 31 March 2014; and
- (iv) costs for mould production for the financial year ending 31 March 2012: costs of approximately HK\$1.0 million to be incurred in producing moulds for new product(s) under development for the year ending 31 March 2012, which resulted in higher R&D Expenses for the year ending 31 March 2012.

On the above basis, the estimated R&D Expenses to be incurred by our Group for each of the three years ending 31 March 2014 would amount to HK\$3.2 million, HK\$2.5 million and HK\$2.5 million respectively. The R&D Expenses for the year ending 31 March 2012 are more than those for each of the two years ending 31 March 2014, mainly attributable to the estimated cost of approximately HK\$1.0 million for making moulds as mentioned above. The moulds are planned to be used for the manufacture of new products with some advance design, which is expected to have great potential for International Sales.

Accordingly, based on the historical sharing ratio of about 60%, the R&D Expenses to be borne by our Group for each of the three years ending 31 March 2014 are estimated to be approximately HK\$1.9 million, HK\$1.5 million and HK\$1.5 million, respectively.

For each of the three years ending 31 December 2014, the estimated amount of R&D Expenses to be borne by OTO Singapore and OTO Malaysia and to be received by our Group under the Master Agreement will be HK\$1.3 million, HK\$1.0 million and HK\$1.0 million, respectively. Hence, the proposed cap amounts of the R&D Expenses to be payable by OTO Singapore and OTO Malaysia in each of the three years ending 31 March 2014 is HK\$1.3 million, HK\$1.0 million and HK\$1.0 million respectively.

As the annual R&D Expenses payable by OTO Singapore and OTO Malaysia for each of the three years ending 31 March 2014 is budgeted to be exceeding HK\$1 million but less than HK\$10 million, the Master Agreement is expected to constitute a continuing connected transaction exempt from independent shareholders' approval but is subject to the reporting and announcement requirements as prescribed under Rule 14A.34 of the Listing Rules.

Waiver from the reporting and announcement requirement

Our Directors (including the independent non-executive Directors) are of the view that the Master Agreement has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole.

CONNECTED TRANSACTIONS

Accordingly, notwithstanding that the transactions contemplated under the Master Agreement constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company, for all transactions contemplated under such agreement to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, publishing announcement(s) regarding continuing connected transactions.

Application for and conditions of waiver

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with announcement requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Master Agreement pursuant to Rule 14A.42(3) of the Listing Rules for the period up to the year ending 31 March 2014 based on the following conditions:

- (a) our Company is required to comply with Rules 14A.35(1) and (2), 14A.36 to 14A.40 and 14A.45 to 14A.46 of the Listing Rules in relation to the continuing connected transactions under the Master Agreement;
- (b) in respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum annual value of the continuing connected transactions under the Master Agreement in aggregate will not exceed HK\$1.3 million, HK\$1.0 million and HK\$1.0 million for each of the three years ending 31 March 2014 respectively as set out above;
- (c) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of the prospectus relating to the continuing connected transactions, our Company will take necessary action to ensure compliance with such requirements within a reasonable period; and
- (d) upon expiry of the waiver granted for the period ending 31 March 2014, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Confirmation from the Directors and the Sole Sponsor

The Directors and the Sole Sponsor are of the view that the terms of the above agreements for connected transactions have been and shall be entered into in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole and the terms of the continuing connected transactions and the Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders taken as a whole.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be transferred upon the exercise of Over-allotment Option or any Shares which may be issued upon the exercise of the options to be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity	Class and number of securities <i>(Note 1)</i>	Approximate shareholding <i>(%)</i>
BSEL <i>(Note 2)</i>	Beneficial owner	207,960,000 Shares (L)	65.0
Mr. CS Yip <i>(Note 3)</i>	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. GK Yep <i>(Note 3)</i>	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. Charlie Yip <i>(Note 3)</i>	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. David Yip <i>(Note 3)</i>	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. Tan Beng Gim <i>(Note 4)</i>	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Ms. Chua Siew Hun <i>(Note 5)</i>	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0

Notes:

- The letter “L” denotes long position of the relevant person / entity in the Shares.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

2. The following persons are shareholders of BSEL and their respective shareholdings are shown in the second column below:

Name of holder of shares in BSEL	Approximate shareholding in BSEL (%)
Mr. CS Yip.....	34.6
Mr. GK Yep.....	34.6
Mr. Charlie Yip.....	9.0
Mr. David Yip.....	8.0
Mr. Tan Beng Gim.....	6.9
Ms. Chua Siew Hun.....	6.9

Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of the Controlling Shareholders (excluding BSEL), from 1 April 2008, in the process of decision-making in the shareholders' meeting of each company in the Group, it was agreed that all decisions must be subject to unanimous decisions of the Controlling Shareholders unless such decisions so made would be in breach of any applicable laws or regulations.

As mentioned in the section headed "History, Reorganisation and Corporate Structure — Corporate history and development — OTO HK", Mr. David Yip, Mr. Tan Beng Gim and Ms. Chua Siew Hun made investment (then through The Essence Shop Pte. Ltd.) in OTO HK in 2003 at the time of the Group's expansion stage, when OTO HK still had a net liability as at March 2003. They subsequently became shareholders of OTO HK in March 2005. Given a long investment relationship of the Yip Brothers with Mr. Tan Beng Gim and Ms. Chua Siew Hun, it has been a common understanding of all the Controlling Shareholders (excluding BSEL) that all decisions made in the shareholders' meeting of each of OTO HK and OTO Macau were made only if there were unanimous decisions of all the Controlling Shareholders (excluding BSEL). As such common understanding was reached verbally and by customary practice, but not evidenced by an agreement in writing, the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Hun entered into a confirmatory agreement (in writing) as of 1 February 2011 to confirm such long-standing common understanding and agreement. The Directors confirm that all decisions of OTO HK and OTO Macau prior to 1 April 2008 (but after Mr. Tan Beng Gim and Ms. Chua Siew Hun becoming shareholders of the said companies) were made unanimously by the Controlling Shareholders (excluding BSEL).

By virtue of such arrangements, each of the Controlling Shareholders (including the Yip Brothers) is taken to be interested in any Shares in which BSEL is interested pursuant to section 318 of the SFO.

Subject to any borrowing arrangement which may be effected under the Stock Borrowing Agreement and assuming that the Over-allotment Option is not exercised at all, BSEL will own 207,960,000 Shares immediately following completion of the Global Offering and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the number of Shares held by BSEL will be reduced by 7,502,000 to 200,458,000.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

3. Each of Mr. CS Yip, Mr. GK Yep, Mr. Charlie Yip and Mr. David Yip is a shareholder of BSEL and a Director and is deemed under section 318 of the SFO to be interested in the entirety of 207,960,000 Shares owned by BSEL by virtue of the confirmatory agreement mentioned in Note 2 above. Their respective spouses as shown below are therefore deemed under the SFO to be interested in the said Shares in which the respective Directors are deemed to be interested:

<u>Name of BSEL shareholder</u>	<u>Name of spouse</u>
Mr. CS Yip.....	Ms. Yap Hui Meng
Mr. GK Yep.....	Ms. Tan Swee Geok
Mr. Charlie Yip	Ms. Yeo Bee Lian
Mr. David Yip	Ms. Yeo Lang Eng

4. Mr. Tan Beng Gim is a shareholder of BSEL and is deemed under section 318 of the SFO to be interested in the entirety of 207,960,000 Shares owned by BSEL by virtue of the confirmatory agreement mentioned in Note 2 above. Ms. Lee Lay Hoon is the spouse of Mr. Tan Beng Gim and is therefore deemed under the SFO to be interested in the said Shares in which Mr. Tan Beng Gim is deemed to be interested.
5. Ms. Chua Siew Hun is a shareholder of BSEL and is deemed under section 318 of the SFO to be interested in the entirety of 207,960,000 Shares owned by BSEL by virtue of the confirmatory agreement mentioned in Note 2 above. Dr. Lim Kim Show is the spouse of Ms. Chua Siew Hun and is therefore deemed under the SFO to be interested in the said Shares in which Ms. Chua Siew Hun is deemed to be interested.

If the Over-allotment Option is exercised in full, the shareholding of the Company attributable to BSEL will be reduced to approximately 62.6%.

Further, the Controlling Shareholders are subject to a non-disposal undertaking under a shareholders' agreement as of 25 November 2011 entered into by each of the Controlling Shareholders (excluding BSEL) in relation to, among other matters, disposal of Shares held by BSEL (except in connection with the Global Offering). Please refer to section headed "Relationship with Controlling Shareholders — Non-disposal undertaking of each of the Controlling Shareholders" of this prospectus for details.

Except as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalisation Issue be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Further details of interests and short position(s) (if any) of the above persons in the Share are set out in the paragraph "Further Information about Directors and Shareholders" in Appendix VI to this prospectus.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

RESTRICTIONS ON DISPOSAL OF SHARES UNDER RULE 10.07(1) OF THE LISTING RULES

Under Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and the Stock Borrowing Arrangement, he/it will not at any time during :

- (a) the period (the “First Six-Month Period”) commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owners; or
- (b) the period of six months from the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Global Offering becomes unconditional, and on certain assumptions in the paragraph section “Assumptions” below.

<i>Authorised share capital:</i>	<i>US\$</i>
10,000,000,000 Shares	100,000,000

Shares in issue and to be issued, fully paid-up or credited as fully paid:

<i>Number</i>		<i>US\$</i>
100,000,000	Shares in issue as at the date of this prospectus	1,000,000
140,000,000	Share to be issued under the Capitalisation Issue	1,400,000
<u>80,000,000</u>	Share to be issued under the Global Offering	<u>800,000</u>
Total: <u>320,000,000</u>	Shares	<u>3,200,000</u>

Assumptions

The above table is prepared on the assumption that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering . It does not take account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company under the general mandates granted to the Directors.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and, in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus, save for entitlement under the Capitalisation Issue.

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue, excluding Shares that may fall to be issued upon the exercise of options that may be granted under the Share Option Scheme; and

SHARE CAPITAL

- the aggregate nominal amount of the Shares repurchased by the Company (if any) under the authority given to the Directors under the Repurchase Mandate.

The Issuing Mandate does not apply to situations where the Directors allot, issue or deal with the Shares by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of the Shares in lieu of the whole or part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or pursuant to the Global Offering, the Capitalisation Issue, or the Shares to be issued upon the exercise of options to be granted under the Share Option Scheme.

The Issuing Mandate will expire:

- on the conclusion of the Company's next annual general meeting; or
- upon the expiration of the period within which the Company is required by law or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on the Issuing Mandate is set out under the paragraph headed "Resolutions in writing of all Shareholders passed on 25 November 2011" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue, excluding Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the Listing Rules is set forth under the paragraph headed "Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

SHARE CAPITAL

The Repurchase Mandate will expire:

- on the conclusion of the Company's next annual general meeting; or
- upon the expiration of the period within which the Company is required by law or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,


whichever is the earliest.

Further information on the Repurchase Mandate is set out under the paragraph headed "Resolutions in writing of all Shareholders passed on 25 November 2011" and "Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

FINANCIAL INFORMATION

Potential investors should read the following discussions and analysis of our consolidated financial statements for the years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2011, together with the accompanying notes, included in Appendix IA in this prospectus. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. This discussion and analysis contains forward-looking statements that involve risks and uncertainties which we do not have control. Please refer to the section headed “Risk Factors” in this prospectus for further details. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed below and the “Risk Factors” section in this prospectus.

OVERVIEW

We are a leading developer and retailer of health and wellness products in Hong Kong under our proprietary “” brand with retail outlets in Hong Kong, the PRC, and Macau. We also sell our products to corporate customers and overseas markets. We have a large portfolio of products, which are broadly divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. According to the Frost & Sullivan Report, we ranked first in the Hong Kong relaxation equipment market in terms of units sold with a market share of 65.0% and ranked second in terms of sales revenue with a market share of 28.3% in 2010. We also ranked first in the Hong Kong partial body massage equipment market in terms of both units sold and sales revenue with a market share of 72.2% and 60.7%, respectively, in 2010.

Our proprietary “” brand is a well-known brand name in the health and wellness product industry. According to the Frost & Sullivan Report, we ranked first in terms of Other Unaided Brand Awareness and ranked second in terms of Top of Mind Brand Awareness of partial body massage equipments in Hong Kong. We have also received awards and recognition from various awarding bodies in recognition of our brand name, including recognition as a “Superbrand” by Superbrands Hong Kong in 2004 and 2005, awards for “The Best Health Care Products” by Capital Magazine in 2006, the “Prominent Manufacturer Award for Product Development and Industry Contribution by Global Sources Publications in 2006, the winner for the Beauty category of the Most Popular Television Commercial Award by Television Broadcast Limited in 2007, a finalist of the Most Popular Television Commercial Award for the Fashion and Beauty category by Television Broadcast Limited in 2011, and award for “The Best Massage Products” by Capital Magazine in 2011. We will continue to enhance our “” brand by continuing to deliver high-quality health and wellness products and strengthening our market image.

We have diversified sales channels through, (i) traditional sales channels, including (a) retail stores; and (b) consignment counters; and (ii) proactive sales channels, including (a) roadshow counters; (b) corporate sales; and (c) International Sales. As at Latest Practicable Date, we had a total of 14 retail stores and 16 consignment counters in Hong Kong, one retail store and two consignment counters in Macau, and 14 consignment counters in the PRC, located in major cities including Beijing, Shanghai, Suzhou, Dalian, Tianjin, Hangzhou, Shenzhen, Jilin and Harbin. Our retail outlets are primarily located in shopping malls and department stores. We also conduct roadshows in different

FINANCIAL INFORMATION

department stores and shopping malls, and customers may purchase our products through our roadshow counters. During the Track Record Period, revenue from our retail network accounted for approximately 90.6%, 85.5%, 86.3% and 79.8% of our total revenue, respectively. In addition to our retail network, we also sell our products to corporate customers such as financial institutions, retail chain stores and professional bodies. During the Track Record Period, we had an aggregate seven, 16, 53 and 51, respectively corporate customers under our corporate sales channel, and revenue from corporate sales during the same period accounted for approximately 5.8%, 11.7%, 7.9% and 9.6% of our total revenue, respectively. We also export our products to international customers for their distribution in the overseas markets. During the Track Record Period, our international customers' distribution network covered countries in different regions in the world, including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary, and we had a total of six, 19, 16 and 16 international customers for each of the years ended 31 March 2011 and the five months ended 31 August 2011. The revenue from International Sales during the Track Record Period accounted for approximately 3.6%, 2.8%, 5.8% and 10.6% of our total revenue, respectively.

Our innovative product design and development capabilities is one of our core competitive strengths. We conduct regular research on the latest market trends, and our in-house product design and development team will conceptualise and develop designs for new product and make modifications on existing products. We may also work together with external manufacturers on the designs of our products. On average, we introduce ten to 15 new health and wellness products including three to four new key products each year. We believe that by leveraging on our deep knowledge of market trends and customers' needs and our long established relationships with our manufacturers, we have been able to transform product concepts into commercially viable and popular products in an efficient and effective manner. We believe that our capabilities in market research, product design and development and product procurement complement our brand building and the marketing of our products.

We source all four categories of our products mainly from manufacturers in China, Korea, Taiwan and Japan. Further details are set forth to the section headed "Business — Product Procurement" in this prospectus. We believe that this outsourcing strategy allows us to focus our resources on the key stages of the product life cycle, including product design and development, brand promotion and management, and sales and marketing. This strategy has also enabled us to focus on quality control and to avoid direct exposure to operational and financial risks and expenses of operating production facilities and managing labour, and allows us to maximise the returns on our assets.

Leveraging on our established brand name and our design and development capabilities, we seek to further expand our sales network to cover additional geographical areas, and in particular, the market in China. We will also seek to expand the range of our health and wellness products and better cater to a wider and more diverse customer base by continuing to develop new products.

Our Directors expect that our Group will have a steady growth instead of a fluctuating operating result based on the following factors: (i) more careful and detailed planning on new product introductions with the enhanced research and development team including more new major products under development than previously. As at 31 August 2011, our Group had 14 key products including eight relaxation products, two fitness products, two therapeutic products and two diagnostic products

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under development. Our Group intends to select such key products under development to be launched to the market for the two years ending 31 March 2013. Of these new products, our Group launched and introduced two relaxation products, including a new compact massage chair, OTO Master Sense, in July 2011 and a new full-sized massage chair, OTO Cyber Wave, in September 2011. Our Directors expect these two new key products to contribute significantly to our Group's sales as massage chairs generally have higher retail sales price than those of other partial body massage equipment; (ii) closer communication and cooperation with existing product manufacturers and continued effort in exploring new product manufacturers; (iii) our Directors anticipate that the economy and retail industry in Hong Kong, Macau and the PRC will be stable over the next 12 to 18 months; and (iv) our Group has achieved a growth of approximately 17.4% in revenue for the five months ended 31 August 2011 as compared with the revenue for the five months ended 31 August 2010.

BASIS OF PREPARATION

The financial information has been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value, and in accordance with HKFRS. Preparation of the financial information in conformity with HKFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in applying our Group's accounting policies. For further details, please refer to the subsection headed "Critical Accounting Policies and Estimates" to this Prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including the following:

Brand recognition

We believe that brand recognition is important to customers' purchasing decisions. Our business and operating results have been and will continue to be affected by our ability to maintain and enhance recognition of our "OTO" brand. As we enhance our brand name and gained recognition in the health and wellness equipment market, we are able to achieve a gross margin of about 70% during our Track Record Period.

Introduction of new products

In order to meet consumer demand and to stay competitive, we introduce new products each year. Our continuing ability to develop and launch new products not only enhances our brand and perception among consumers but also has a significant effect on our sales, operating profit and growth each year. We believe new products and innovations to existing products have, among other factors, enabled us to enjoy an enhanced reputation in the market, attract international and well-known organizations or associations as corporate customers and partners to work with us. Our future results of operations and financial condition will be influenced by our ability to design, develop and bring new, high-quality products to market and to respond to changes in consumer trends and preferences rapidly and cost-efficiently.

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We believe that our strong research and development capabilities have allowed, and will continue to allow, us to offer a comprehensive range of health and wellness products, including relaxation, fitness, therapeutic, and diagnostic products. During the three years ended 31 March 2009, 2010, and 2011 and the five months ended 31 August 2011, we introduced 13, 12, ten and four new products, respectively. Our continued growth and success depends on our ability to offer health and wellness products that appeal to our customers. Therefore, it is critical for us to predict and keep up with the constant changes in consumer preferences.

Our product mix

We offer a wide range of products in the four broad categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. Each of these product categories targets different needs and preferences of consumers. We will continue to monitor and adjust our product mix as we deem necessary in an effort to increase our revenue.

Cost and sourcing of finished goods

We outsource production of all of our health and wellness products to independent third-party manufacturers. Our external manufacturers are responsible for procurement of the raw materials they require in their production, and they primarily depend on third-party suppliers for their raw material requirements. Our business and profitability depend in part on our ability to source finished goods of proper quality from our external manufacturers at commercially acceptable prices and in a timely manner. The cost of the finished goods may also vary depending on the location they are sourced from. We generally source our finished goods from China, Korea, Taiwan and Japan. In the past, we have generally been able to pass on increased costs of finished goods to our customers, and such increases have not impacted our margins. If we are unable to pass on the increased costs to our customers in the future, our business, financial condition and results of operations may be materially and adversely affected. Further details are set forth in the section headed “Risk Factors — Risks Relating to Our Business — Increases in commodity prices will increase purchasing costs for our products and may reduce our profitability as a result” to this Prospectus.

Pricing

We determine our prices based on various factors, such as our outsourcing production costs, the expected gross profit margin of our individual product, the retail price of similar products of our competitors, the market positioning of our individual product, features and functionalities of our individual products.

We believe that our strong research and development capability and our brand recognition has allowed us to set prices for products at levels that we prefer. We expect the retail prices of our products to be continuously driven by these factors.

FINANCIAL INFORMATION

The following table sets forth our retail price range per product category for the periods indicated:

	For the year ended 31 March			For the five months ended 31 August
	2009	2010	2011	2011
Relaxation	HK\$198 to HK\$29,808	HK\$299 to HK\$24,816	HK\$399 to HK\$24,816	HK\$399 to HK\$29,800
Fitness	HK\$899 to HK\$6,890	HK\$998 to HK\$6,890	HK\$499 to HK\$6,890	HK\$499 to HK\$6,890
Therapeutic ..	HK\$880 to HK\$3,984	HK\$880 to HK\$3,984	HK\$880 to HK\$3,984	HK\$998 to HK\$3,984
Diagnostic	HK\$299 to HK\$880	HK\$399 to HK\$880	HK\$399 to HK\$980	HK\$399 to HK\$980

The following table sets forth our gross profit margin and sales volume by product category for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	Gross profit margin (%)	Sales volume (units)	Gross profit margin (%)	Sales volume (units)	Gross profit margin (%)	Sales volume (units)	Gross profit margin (%)	Sales volume (units)	Gross profit margin (%)	Sales volume (units)
	(unaudited)									
Relaxation products	75.3	78,785	72.3	213,389	69.3	107,799	72.7	43,899	66.1	48,097
Fitness products	56.7	8,321	53.1	12,093	76.6	21,668	67.1	3,084	66.6	12,216
Therapeutic products	62.2	6,128	54.7	12,916	50.3	3,872	66.7	1,633	70.5	8,802
Diagnostic products	56.3	13,741	57.7	26,872	61.2	8,885	61.1	3,909	60.0	4,086
Total	72.4	106,975	70.4	265,270	70.0	142,224	71.9	52,525	66.9	73,201

Expansion and performance of our retail network

Our ability to increase sales is affected by the number of retail outlets in our retail network. As at 31 March 2009, 2010 and 2011 and 31 August 2011, we had a total of 16, 16, 16, and 16 retail stores, respectively, and 15, 17, 18 and 31 consignment counters, respectively. The same-store sales for our retail outlets increased by 79.3% from the year ended 31 March 2009 to the year ended 31 March 2010 primarily due to the significant increase in sales contributed from our two new key relaxation products, namely OTO Power Tap and OTO e-Lux. Our same-store sales decreased by 34.5% from the year ended 31 March 2010 to the year ended 31 March 2011 primarily due to the decrease in revenue as a result of the delayed product launches. For the five months ended 31 August, same-store sales increased by 2.2% from that of the five months ended 31 August 2010 primarily due to reshuffling of retail outlets (i.e. opening of three retail outlets and closing of two retail outlets).

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The following table sets forth our same-store sales and same-store sales growth for the periods indicated:

	For the year ended 31 March			For the five months ended 31 August	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Same-store sales	124,664	223,566	146,334	70,210	71,788
Same-store sales growth		79.3%	(34.5)%		2.2%

Our sales per retail outlet per day were approximately HK\$11,176, HK\$19,362, HK\$13,628 and HK\$11,473 for the Track Record Period. The sales per retail outlet per day increased by HK\$8,186 or approximately 73.2%, from HK\$11,176 for the year ended 31 March 2009 to HK\$19,362 for the year ended 31 March 2010 primarily due to the successful launch of two new key relaxation products, namely OTO Power Tap and OTO e-Lux, which contributed approximately HK\$162.2 million or 56.1% of total revenue for the year ended 31 March 2010. This was partially offset by the addition of two new consignment counters over the same period. Further details are set out in the subsection headed “Financial Information — Year ended 31 March 2010 compared to year ended 31 March 2009” to this Prospectus. The sales per retail outlet per day decreased by approximately HK\$5,734 or 29.6%, from approximately HK\$19,362 for the year ended 31 March 2010 to HK\$13,628 for the year ended 31 March 2011 primarily due to the decrease in revenue as a result of the delayed launch of two new key products, namely OTO Cruncher and OTO Power Repose, which only contributed approximately HK\$34.1 million or 16.3% of revenue for the year ended 31 March 2011, coupled with the addition of one new consignment counter over the same period. Further details are set out the subsection headed “Financial Information — Year ended 31 March 2011 compared to year ended 31 March 2010”. We intend to continue to expand our retail network by opening at least 100 retail outlets in China in the next three years.

Relationships with our corporate customers and management of distribution network

Our performance and growth are affected by our ability to establish and maintain strong strategic relationships with our corporate customers in Hong Kong, Macau, and China and international customers in the overseas markets. We have partnered with international and well-known organizations or associations as our corporate customers. Our products may be offered by such corporate customers as welcome gifts and redemption products under their members loyalty programs. Our products may also be sold to such enterprises and organizations for their forward sales to their members or customers. For the three years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2011, corporate sales accounted for approximately 5.8%, 11.7%, 7.9% and 9.6% of our revenue, respectively. We believe developing and maintaining long-term strategic relationships with our corporate customers is essential to our business as we believe there remains significant potential for us to grow our revenue via this sales channel.

In the overseas markets, our ability to maintain and further increase the depth and breadth of our distribution network is important to our growth. For the three years ended 31 March 2009, 2010 and

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2011 and the five months ended 31 August 2011 we had a total of six, 19, 16 and 16 international customers, respectively and International Sales accounted for approximately 3.6%, 2.8%, 5.8% and 10.6% of our revenue, respectively. As our distribution network is crucial to our growth, we actively manage our distribution network by monitoring and evaluating the performance of our international customers as well as establishing long-term relationships with suitable international customers where appropriate. We have participated, and will continue to participate in distributor fairs, which represent an important avenue through which we expand our distribution network.

Competition

Our results of operations and financial condition are affected by the competitive landscape of the health and wellness equipment market in Hong Kong, Macau, and China. The health and wellness product industry in the Hong Kong, Macau and China is highly competitive with an increasing number of local and international players. Industry players compete with one another based on, among other things, brand recognition, product variety, product design, product quality and price.

We expect that the competition we face in the health and wellness product business will further intensify, principally due to the entry of new foreign and domestic health and wellness product brands and the increase in the number of health and wellness product retailers in Hong Kong, Macau and China. As a result, our ability to maintain to further increase our profitability will largely depend on our ability to compete effectively by reacting rapidly to market trends and differentiating ourselves through our nationwide sales channels and extensive and diversified product portfolio.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those that require management to exercise judgment and make estimates that yield materially different results if management were to apply different assumptions or make different estimates. The critical accounting policies we have adopted are described below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

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- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value - the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled or the award credits expire.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation and amortisation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that

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exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit placed at an insurance company, trade and other receivables, amounts due from a director and related companies, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at FVTPL

Financial assets at FVTPL represent securities held for trading purpose and debt securities with embedded derivatives not separated.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective

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evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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Financial liabilities

Financial liabilities (including trade and other payables, amounts due to a related company, subsidiaries, directors and shareholders, dividend payables and bank borrowings) are measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company and the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated:

	For the year ended 31 March			For the five months ended 31 August	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	144,229	289,283	209,402	85,063	99,902
Other income	2,064	3,102	4,700	1,923	2,230
Other gains and losses	(1,242)	1,783	1,185	454	2,193
Changes in inventories of finished goods	1,014	495	1,574	421	(210)
Finished goods purchased	(38,581)	(82,124)	(59,773)	(23,020)	(31,309)
Staff costs	(23,334)	(40,217)	(29,186)	(11,334)	(13,230)
Depreciation and amortisation expense	(2,977)	(1,491)	(1,465)	(652)	(568)
Finance costs	(568)	(600)	(404)	(194)	(140)
Other expenses	(64,176)	(88,737)	(81,999)	(31,819)	(43,894)
Profit before tax	16,429	81,494	44,034	20,842	14,974
Income tax expense	(1,133)	(12,355)	(6,855)	(3,480)	(3,528)
Profit for the year/period	<u>15,296</u>	<u>69,139</u>	<u>37,179</u>	<u>17,362</u>	<u>11,446</u>
Other comprehensive (expense) income:					
Fair value (loss) gain on available-for-sale investments ...	(87)	100	48	(13)	(60)
Exchange difference arising on translation	—	—	—	—	40
	<u>(87)</u>	<u>100</u>	<u>48</u>	<u>(13)</u>	<u>(20)</u>
Total comprehensive income for the year/period	<u>15,209</u>	<u>69,239</u>	<u>37,227</u>	<u>17,349</u>	<u>11,426</u>
Earnings per share					
Basic (HK\$)	<u>0.07</u>	<u>0.32</u>	<u>0.17</u>	<u>0.08</u>	<u>0.05</u>

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SELECTED INCOME STATEMENT ITEMS

Revenue

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sale related taxes, during the relevant periods.

The table below sets forth our revenue and gross profit margin by product categories for the periods indicated:

	For the year ended 31 March									For the five months ended 31 August					
	2009			2010			2011			2010			2011		
	HK\$'000	% of Revenue	Gross profit margin (%)	HK\$'000	% of Revenue	Gross profit margin (%)	HK\$000	% of Revenue	Gross profit margin (%)	HK\$'000	% of Revenue	Gross profit margin (%)	HK\$'000	% of Revenue	Gross profit margin (%)
	(unaudited)														
Relaxation products ...	118,547	82.2	75.3	258,127	89.2	72.3	162,962	77.8	69.3	75,673	89.0	72.7	64,267	64.3	66.1
Fitness products	13,189	9.1	56.7	12,901	4.5	53.1	37,821	18.1	76.6	5,289	6.2	67.1	15,377	15.4	66.6
Therapeutic products..	9,508	6.6	62.2	13,248	4.6	54.7	5,993	2.9	50.3	2,469	2.9	66.7	18,790	18.8	70.5
Diagnostic products ...	2,985	2.1	56.3	5,007	1.7	57.7	2,626	1.2	61.2	1,632	1.9	61.1	1,468	1.5	60.0
Total	144,229	100.0	72.4	289,283	100.0	70.4	209,402	100.0	70.0	85,063	100.0	71.9	99,902	100.0	66.9

The table below sets forth our revenue by sales channels for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue
	(unaudited)									
Retail stores.....	66,743	46.3	129,521	44.8	90,736	43.4	38,138	44.8	41,527	41.6
Consignment counters	59,714	41.4	103,697	35.8	78,393	37.4	35,003	41.2	35,205	35.2
Roadshow counters	4,193	2.9	14,121	4.9	11,555	5.5	2,350	2.8	2,971	3.0
Corporate sales	8,405	5.8	33,736	11.7	16,562	7.9	6,065	7.1	9,555	9.6
International Sales	5,174	3.6	8,208	2.8	12,156	5.8	3,507	4.1	10,644	10.6
Total	144,229	100.0	289,283	100.0	209,402	100.0	85,063	100.0	99,902	100.0

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The table below sets forth our revenue by product categories and by new and existing products for the periods indicated:

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue	Revenue HKD'000	% of Revenue
	(unaudited)									
Relaxation										
New products	74,898	51.9	189,325	65.4	10,142	4.8	9,372	11.0	16,243	16.2
Existing products	43,649	30.3	68,802	23.8	152,820	73.0	66,301	78.0	48,024	48.1
Total relaxation products	<u>118,547</u>	<u>82.2</u>	<u>258,127</u>	<u>89.2</u>	<u>162,962</u>	<u>77.8</u>	<u>75,673</u>	<u>89.0</u>	<u>64,267</u>	<u>64.3</u>
Fitness										
New products	11,377	7.9	2,223	0.8	26,321	12.6	37	0.0	—	0.0
Existing products	1,812	1.2	10,678	3.7	11,500	5.5	5,252	6.2	15,377	15.4
Total fitness products	<u>13,189</u>	<u>9.1</u>	<u>12,901</u>	<u>4.5</u>	<u>37,821</u>	<u>18.1</u>	<u>5,289</u>	<u>6.2</u>	<u>15,377</u>	<u>15.4</u>
Therapeutic										
New products	2,838	2.0	—	0.0	2,456	1.2	—	0.0	18,265	18.3
Existing products	6,670	4.6	13,248	4.6	3,537	1.7	2,469	2.9	525	0.5
Total therapeutic products	<u>9,508</u>	<u>6.6</u>	<u>13,248</u>	<u>4.6</u>	<u>5,993</u>	<u>2.9</u>	<u>2,469</u>	<u>2.9</u>	<u>18,790</u>	<u>18.8</u>
Diagnostic										
New products	1,211	0.9	950	0.3	—	0.0	—	0.0	—	0.0
Existing products	1,774	1.2	4,057	1.4	2,626	1.2	1,632	1.9	1,468	1.5
Total diagnostic products	<u>2,985</u>	<u>2.1</u>	<u>5,007</u>	<u>1.7</u>	<u>2,626</u>	<u>1.2</u>	<u>1,632</u>	<u>1.9</u>	<u>1,468</u>	<u>1.5</u>
Total revenue from new products	90,324	62.6	192,498	66.5	38,919	18.6	9,409	11.1	34,508	34.5
Total revenue	<u>144,229</u>		<u>289,283</u>		<u>209,402</u>		<u>85,063</u>		<u>99,902</u>	

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The table below sets forth our revenue and gross profit margin by our new key products for the periods indicated:

New Key Products	Product Launch	Product Category	For the year ended 31 March									For the five months ended 31 August					
			2009			2010			2011			2010			2011		
			Revenue	Gross % of profit margin		Revenue	Gross % of profit margin		Revenue	Gross % of profit margin		Revenue	Gross % of profit margin		Revenue	Gross % of profit margin	
HKD'000	(%)	(%)	HKD'000	(%)	(%)	HKD'000	(%)	(%)	HKD'000	(%)	(%)	HKD'000	(%)	(%)			
e-Bliss (Neck/shoulder massager)	Apr 2008	Relaxation	57,116	39.6	87.3	10,103	3.5	74.4	4,389	2.1	83.0	2,320	2.7	81.7	691	0.7	54.3
Power Foot (foot massager).....	Apr 2008	Relaxation	14,082	9.8	68.4	19,233	6.6	60.0	15,822	7.6	59.1	6,596	7.8	62.8	6,394	6.4	52.9
e-Lux (back massager)	Mar 2009	Relaxation	5,539	3.8	80.7	54,981	19.0	80.1	18,267	8.7	74.9	9,450	11.1	79.6	5,420	5.4	73.6
Power Tap (shoulder massager).....	Jul 2009	Relaxation	—	—	—	107,229	37.1	77.5	51,909	24.8	78.6	30,324	35.6	78.4	8,004	8.0	74.7
Cruncher	Sep 2010	Fitness	—	—	—	—	—	—	26,211	12.5	88.3	—	—	—	7,500	7.5	77.2
Power Repose (back massager)	Dec 2010	Relaxation	—	—	—	—	—	—	7,850	3.7	76.5	—	—	—	3,083	3.1	75.9
e-Physio (foot stimulator).....	Mar 2011	Therapeutic	—	—	—	—	—	—	—	—	—	—	—	—	18,228	18.2	72.2
Master Sense (Massage Chair)	Jul 2011	Relaxation	—	—	—	—	—	—	—	—	—	—	—	—	5,693	5.7	69.1
Total revenue from new key products...			76,737	53.2	83.3	191,546	66.2	76.3	124,448	59.4	77.6	48,690	57.2	76.7	55,013	55.1	70.8
Total revenue			<u>144,229</u>			<u>289,283</u>			<u>209,402</u>			<u>85,063</u>			<u>99,902</u>		

The table below sets forth the gross profit margin range by each of our sales channel during the Track Record Period:

Sales channels	Region		
	Hong Kong	Macau	PRC ⁽¹⁾
	Gross profit margin	Gross profit margin	Gross profit margin
Retail outlets sales	70% to 75%	65% to 70%	60% to 65%
Corporate sales	45% to 55%	—	60% to 65%
International Sales	25% to 30%	—	—

(1) We have extended our sales network to China since 29 June 2011 by acquiring the entire issued share capital of OTO Shanghai.

International Sales

International Sales accounted for approximately 3.6%, 2.8%, 5.8% and 10.6% of the Group's total sales for each of the three years ended 31 March 2011 and the five months ended 31 August 2011 which was conducted through OTO HK and included in the segment information of Hong Kong according to information regularly reported to the chief operation decision maker under HKFRS 8 "Operating Segments".

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Other income

Our other income primarily includes repair income, delivery income, bank interest income, warranty income, rental income, other services income, dividend income from investments in listed equity securities, compensation income, and sundry income.

The table below sets forth a breakdown of other income for the periods indicated:

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Repair income.....	1,007	1,280	1,418	524	583
Delivery income.....	348	1,006	1,821	557	669
Bank interest income	109	116	282	100	118
Warranty income (<i>Note 1</i>)	24	57	7	1	5
Rental income.....	19	—	156	65	65
Other service income	310	200	180	17	500
Dividend income from investments in listed equity securities	28	10	5	5	20
Compensation income (<i>Note 2</i>)	—	—	579	579	—
Sundry income	219	433	252	75	270
	<u>2,064</u>	<u>3,102</u>	<u>4,700</u>	<u>1,923</u>	<u>2,230</u>

Notes:

1. We recorded warranty income during the Track Record Period when our customers paid us for the extension of our products' warranty period.
2. The compensation income during the five months ended 31 August 2010 was service income for the provision of repairing services to our customers recovered from a former employee who provided such repairing services to our customers and collected the service income on our behalf before 2005. The former employee repaid us such amount in 2010 as settlement of the aforesaid service income.

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Other gains and losses

Other gains and losses include gains on disposal of property, plant and equipment and gains and losses from changes in fair value of investments in financial instruments and investment properties.

The table below sets forth a breakdown of other gains and losses for the periods indicated:

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Gain on disposal of property, plant and equipment.....	180	—	—	—	1,190
(Loss) gain from changes in fair value of investments at FVTPL.....	(890)	372	63	(12)	(111)
(Loss) gain from changes in fair value of investment properties	(260)	1,430	1,280	500	230
Net exchange (loss) gain	(272)	(19)	(158)	(34)	884
	<u>(1,242)</u>	<u>1,783</u>	<u>1,185</u>	<u>454</u>	<u>2,193</u>

Changes in inventories of finished goods

Changes in our inventories of finished goods are attributable to the movement of inventories of finished goods, and is an accounting item as a component of cost of goods sold.

Finished goods purchased

Finished goods purchased represent the finished goods purchased from our external manufacturers under our ordinary business operations, which is also a component of cost of goods sold.

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Gross profit

The table below sets forth the components of cost of sales for the periods indicated:

	For the year ended 31 March			For the five months ended 31 August	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	<u>144,229</u>	<u>289,283</u>	<u>209,402</u>	<u>85,063</u>	<u>99,902</u>
Less cost of goods sold					
Changes in inventories of finished					
goods	1,014	495	1,574	421	(210)
Finished goods purchased	(38,581)	(82,124)	(59,773)	(23,020)	(31,309)
Other cost of goods sold.....	<u>(2,284)</u>	<u>(4,075)</u>	<u>(4,622)</u>	<u>(1,280)</u>	<u>(1,549)</u>
	<u>(39,851)</u>	<u>(85,704)</u>	<u>(62,821)</u>	<u>(23,879)</u>	<u>(33,068)</u>
Gross Profit	<u>104,378</u>	<u>203,579</u>	<u>146,581</u>	<u>61,184</u>	<u>66,834</u>
Gross Profit Margin	72.4%	70.4%	70.0%	71.9%	66.9%

Note: Other cost of goods sold primarily consist of freight and transportation, parts and raw materials, service charges, and packaging charges.

Staff costs

Our staff costs primarily consist of wages and salaries, commissions, welfare contributions and other personnel costs.

Finance costs

The finance costs represent interest on bank borrowings wholly repayable within five years and finance leases.

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Other expenses

Our other expenses primarily include rent, rates and building management fee for outlets at shopping malls, commission paid to counters at department stores, advertising and promotion expenses, bank charges on customers payment by bank credit cards and freight and transportation expenses.

The table below sets forth a breakdown of other expenses for the periods indicated.

	For the year ended 31 March						For the five months ended 31 August			
	2009		2010		2011		2010		2011	
	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000	% of Revenue	HK\$'000 (unaudited)	% of Revenue	HK\$'000	% of Revenue
Rent, rates and building management fee for outlets at shopping malls	22,095	15.3	25,402	8.8	23,388	11.2	9,774	11.5	10,533	10.6
Commission paid to counters at department stores	18,450	12.8	31,437	10.8	22,826	10.9	9,561	11.2	10,130	10.1
Advertising and promotion expenses ...	8,520	5.9	11,480	4.0	14,948	7.1	5,393	6.4	6,643	6.6
Bank charges on customers payment by bank credit cards	3,346	2.3	6,238	2.2	4,354	2.1	1,487	1.7	1,874	1.9
Freight and transportation expenses	2,344	1.6	4,015	1.4	5,056	2.4	1,275	1.5	2,118	2.1
IPO Expenses	—	—	—	—	2,691	1.3	—	—	7,529	7.5
Others ⁽¹⁾	9,421	6.5	10,165	3.5	8,736	4.2	4,329	5.1	5,067	5.1
Total	64,176	44.4	88,737	30.7	81,999	39.2	31,819	37.4	43,894	43.9

Note:

(1) Others primarily include expenses in utilities, sundry, insurance and professional fees.

Income tax expense

Income tax expense primarily consists of provision for Hong Kong Profits Tax and Macau Complimentary Income Tax.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 August 2011 compared to five months ended 31 August 2010

Revenue

Our revenue for the five months ended 31 August 2011 was HK\$99.9 million, an increase of HK\$14.8 million or approximately 17.4%, from HK\$85.1 million for the five months ended 31 August 2010. The increase was primarily attributable to a number of factors including (1) changes in revenue contribution from sales channels. In particular, there was an increase of HK\$7.1 million or approximately 203.5% in revenue from International Sales to customers in Saudi Arabia, Mauritius, and the UK, an increase of HK\$3.5 million or approximately 57.5% in revenue from corporate sales which was mainly attributable to sales to a leading retail chain operator in Hong Kong, a financial institution, and a leading retail chain operator in the PRC, and an increase of HK\$3.4 million or approximately 8.9% in revenue from retail stores; and (2) launch of new products and changes in our product mix. Revenue contribution from new products increased by HK\$25.1 million or 266.8% to HK\$34.5 million for the five months ended 31 August 2011 from HK\$9.4 million for the five months ended 31 August 2010. In particular, we launched a new key therapeutic product OTO e-Physio (a foot stimulator) in March 2011, a new relaxation product OTO e-Cuddle (a neck and shoulder massager) in May 2011, and, a new key relaxation product OTO Master Sense Massage Chair in July 2011, with an average selling price per unit of approximately HKD2,085.88, HKD910.99, and HKD9,441.06, respectively, which contributed approximately HK\$18.2 million, HK\$10.4 million, and HK\$5.7 million in sales, representing approximately 18.2%, 10.5%, and 5.7% of total revenue, respectively, for the five months ended 31 August 2011. This was partially offset by a decrease of HK\$10.3 million or 13.6% in revenue from our existing products to HK\$65.4 million for the five months ended 31 August 2011 from HK\$75.7 million for the five months ended 31 August 2010. In particular, the revenue contribution from OTO Power Tap, a key relaxation product launched in July 2009, decreased by HK\$22.0 million or 74.2% to HK\$7.7 million for the five months ended 31 August 2011 from HK\$29.7 million for the five months ended 31 August 2010.

Other income

Other income for the five months ended 31 August 2011 was HK\$2.2 million, an increase of HK\$0.3 million or approximately 16.0%, from HK\$1.9 million for the five months ended 31 August 2010. The increase was primarily due to increases in other service income, sundry income, delivery income and repair income.

Other gains and losses

Other gains and losses for the five months ended 31 August 2011 was HK\$2.2 million, an increase of HK\$1.7 million or approximately 383.0% from HK\$0.5 million for the five months ended 31 August 2010. The increase was primarily due to a gain of HK\$1.2 million from the disposal of a residential property to a Director, and a net exchange gain of HK\$0.9 million.

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Changes in inventories of finished goods

Changes in inventories of finished goods for the five months ended 31 August 2011 were HK\$(0.2) million, a decrease of HK\$0.6 million or approximately 150.0%, from HK\$0.4 million for the five months ended 31 August 2010.

Finished goods purchased

Finished goods purchased for the five months ended 31 August 2011 was HK\$31.3 million, an increase of HK\$8.3 million or approximately 36% from HK\$23.0 million for the five months ended 31 August 2010. The increase was primarily attributable to the increase in revenue from International sales, corporate sales, and sales from our new products during the relevant period.

Gross profit and gross profit margin

Gross profit for the five months ended 31 August 2011 was HK\$66.8 million, an increase of HK\$5.6 million or approximately 9.2%, from HK\$61.2 million for the five months ended 31 August 2010. The increase in gross profit was mainly due to the increase in revenue as a result of the factors described above. Gross profit margin was 66.9% for the five months ended 31 August 2011, a decrease from 71.9% for the five months ended 31 August 2010, primarily due to changes in revenue contribution from sales channels and changes in our product mix.

The gross profit margin for relaxation products decreased by approximately 6.6% from 72.7% for the five month ended 31 August 2010 to 66.1% for the five months ended 31 August 2011 due to increase in the International Sales of existing relaxation products which generated lower gross profit margin due to bulk purchase discounts. The gross profit margin for fitness products remained relatively stable from 67.1% for the five months ended 31 August 2010 to 66.6% for the five months ended 31 August 2011. The gross profit margin for therapeutic products increased by approximately 3.8% from 66.7% for the five months ended 31 August 2010 to 70.5% for the five months ended 31 August 2011 due to the launch of a new key therapeutic product, OTO e-Physio, which generated a higher gross profit margin of 72.2%. The gross profit margin for diagnostic products remained relatively stable from 61.1% for the five months ended 31 August 2010 to 60.0% for the five months ended 31 August 2011.

In particular, the increase in revenue from International Sales and corporate sales generated lower gross profit than that of our retail sales due to bulk purchase discounts. Furthermore, the gross profit margin from our new key products for the five months ended 31 August 2011 was 70.8%, a decrease from 76.7% for the five months ended 31 August 2010, primarily due to the lower profit margins from OTO e-Physio and OTO Master Sense, with gross profit margin of 72.2% and 69.1%, respectively, which contributed to 18.2% and 5.7% of the revenue, respectively, for the five months ended 31 August 2011 compared to the higher gross profit margin of 78.4% from OTO Power Tap, which contributed 35.6% of the revenue for the five months ended 31 August 2010.

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Staff costs

Staff costs for the five months ended 31 August 2011 were HK\$13.2 million, consisted of HK\$6.2 million in commission based salaries, an increase of HK\$1.9 million or approximately 16.7% from HK\$11.3 million for the five months ended 31 August 2010, which consisted of HK\$6.3 million in commission based salaries. The increase was primarily attributable to (1) an increase of approximately HK\$0.6 million in salary of office staff, (2) an increase of approximately HK\$0.7 million in directors' remunerations of two directors, namely Mr. CS Yip and Mr. David Yip and (3) a decrease of approximately HK\$0.4 million in write back of accrual for unutilized annual leave for frontline and office staff as a result of the lower reduction in such liabilities.

Depreciation and amortisation expense

Depreciation and amortisation expense for the five months ended 31 August 2011 was HK\$0.6 million, which remained relatively stable from that of the same period in the preceding year.

Finance costs

Our finance costs were HK\$140,000 for the five months ended 31 August 2011, a decrease of HK\$54,000 or approximately 27.8%, from HK\$194,000 for the five months ended 31 August 2010. The decrease was primarily attributable to the lower amount of bank borrowings and lower interest rates for the five months ended 31 August 2011 as compared to those for the five months ended 31 August 2010.

Other expenses

Other expenses for the five months ended 31 August 2011 were HK\$43.9 million, an increase of HK\$12.1 million or approximately 37.9%, from HK\$31.8 million for the five months ended 31 August 2010. The increase was primarily due to an increase of approximately HK\$7.5 million in IPO expenses relating to the Global Offering, an increase of approximately HK\$1.3 million in advertising and promotion expenses as there were more advertising activities in artwork, production, and media, a increase of approximately HK\$0.8 million in rent, rates and building management fee for retail stores at shopping malls (which typically represent a fixed rental fee or approximately nil to 16.0% of our monthly gross sales, whichever is higher) as a result of higher revenue, an increase of approximately HK\$0.6 million in commissions paid to consignment counters at department stores (which typically represent approximately 25.5-30% of our monthly gross sales or a minimum fixed fee) due to revenue generated from consignment counters in the PRC, an increase of approximately HK\$0.4 million in bank charges on customers payment by credit cards as a result of the increase in revenue, and an increase of approximately HK\$0.8 million in freight and transportation expenses including transportation costs from warehouses to shipping ports as a result of increased International Sales over the same period.

Profit before tax

Profit before tax for the five months ended 31 August 2011 was HK\$15.0 million, a decrease of HK\$5.9 million or approximately 28.2%, from HK\$20.8 million for the five months ended 31 August 2010 as a result of the factors described above.

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Income tax expense

Income tax expense for each of the periods ended 31 August 2010 and 2011 was approximately HK\$3.5 million and HK\$3.5 million, respectively, representing an effective tax rate of approximately 16.8% and 23.3%, respectively. The increase in effective tax was primarily due to IPO expenses relating to the Global Offering which are not tax deductible in arriving at taxable profit of the Group.

Profit for the year

As a result of the factors described above, our profit for the five months ended 31 August 2011 was HK\$11.4 million, a decrease of HK\$5.9 million or approximately 34.1%, from HK\$17.4 million for the five months ended 31 August 2010. Our net profit margin was approximately 11.5% for the five months ended 31 August 2011, a decrease from 20.4% for the five months ended 31 August 2010.

Year ended 31 March 2011 compared to year ended 31 March 2010

Revenue

Revenue for the year ended 31 March 2011 was HK\$209.4 million, a decrease of HK\$79.9 million or approximately 27.6%, from HK\$289.3 million for the year ended 31 March 2010. The decrease was primarily attributable to a number of factors including (1) the delayed launch of two new key products and changes in our product mix. The revenue contribution from new products was HK\$38.9 million for the year ended 31 March 2011, a decrease of HK\$153.6 million or 79.8% from HK\$192.5 million for the year ended 31 March 2010. In particular, due to the delayed product launches, the two new key products, namely OTO Cruncher and OTO Power Repose contributed only HK\$34.1 million or 16.3% of revenue for the year ended 31 March 2011 compared with the revenue contribution of HK\$162.2 million or 56.1% of revenue from the two new key products, namely OTO e-Lux and OTO Power Tap for the year ended 31 March 2010. We encountered a six-month delay in the launch of a new key fitness product, OTO Cruncher, which was supposed to be launched in March 2010 for the summer season, as a result of additional time needed in meeting stringent quality and safety standards in preparation for the introduction of this new fitness product for local and International Sales. To avoid cannibalization of two new key products launching at around the same time, the planned new key relaxation product launch of OTO Power Repose (a back massager), which was supposed to be launched in July 2010, was postponed to December 2010. Such delays in the launch of new products are occasional and we only had encountered the delays in the launch of OTO Cruncher and OTO Power Repose during the Track Record Period; and (2) changes in an existing corporate customer's (a large retail chain store) promotion schedule resulted in the delay of a joint promotion plan, which did not start until April 2011 and did not have any revenue contribution during the year ended 31 March 2011. This was partially offset by (1) joint promotion plans with two new corporate customers including a large retail chain store and a major credit card company, which contributed approximately HK\$2.5 million and HK\$7.7 million in sales, respectively; and (2) an increase of HK\$3.9 million in International Sales from existing and new international customers during the same period.

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Other income

Other income for the year ended 31 March 2011 was HK\$4.7 million, an increase of HK\$1.6 million or approximately 51.5%, from HK\$3.1 million for the year ended 31 March 2010. The increase was primarily due to increases in delivery income of HK\$0.8 million and compensation income of HK\$0.6 million.

Other gains and losses

Other gains and losses for the year ended 31 March 2011 was HK\$1.2 million, a decrease of HK\$0.6 million or approximately 33.5%, from HK\$1.8 million for the year ended 31 March 2010. The decrease was primarily due to a decrease in gain from changes in fair value of investments at FVTPL (securities held for trading purpose) of HK\$0.3 million and a decrease in gain from changes in fair value of investment properties of HK\$0.2 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the year ended 31 March 2011 were HK\$1.6 million, an increase of HK\$1.1 million or approximately 218.0%, from HK\$0.5 million for the year ended 31 March 2010.

Finished goods purchased

Finished goods purchased for the year ended 31 March 2011 was HK\$59.8 million, a decrease of HK\$22.4 million or approximately 27.2%, from HK\$82.1 million for the year ended 31 March 2010. The decrease was primarily attributable to the decrease in revenue during the year.

Gross profit and gross profit margin

Gross profit for the year ended 31 March 2011 was HK\$146.6 million, a decrease of HK\$57.0 million or approximately 28.0%, from HK\$203.6 million for the year ended 31 March 2010 primarily due to the decrease in revenue as a result of the factors described above. Gross profit margin was 70.0% for the year ended 31 March 2011, which remained relatively stable compared with the gross profit margin of 70.4% for the year ended 31 March 2010.

Although gross profit margin remained relatively stable over the period, there were changes in the gross profit margins in the product categories. The gross profit margin for relaxation products decreased by approximately 3.0% from 72.3% for the year ended 31 March 2010 to 69.3% for the year ended 31 March 2011 due to the lowering of selling price of existing relaxation products, i.e. OTO Power Tap and various massage chairs. The Group usually lowers the price of its existing products, on average, 6-12 months after their first introduction to the market to extend their sales depending on, among other factors, the popularity of the products, gross profit margins and availability of competing products in the market. The gross profit margin for fitness products increased by approximately 23.5% from 53.1% for the year ended 31 March 2010 to 76.6% for the year ended 31 March 2011 due to the launch of the new key fitness product, OTO Cruncher, which offered a gross profit margin of approximately 88.3%, which is higher than those of the previous fitness products due to its unique

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design and functionalities and was the pioneer product in the market at the time of launching. The gross profit margin for therapeutic products decreased by approximately 4.4% from 54.7% for the year ended 31 March 2010 to 50.3% for the year ended 31 March 2011 due to International Sales during the year which generated lower gross profit margin than that of retail sales due to bulk purchase discounts. The gross profit margin for diagnostic products increased by approximately 3.5% from 57.7% for the year ended 31 March 2010 to 61.2% for the year ended 31 March 2011 due to the decrease in corporate sales (as a result of less purchases of OTO Infrared Ear Thermometer) for the year ended 31 March 2011. Corporate sales generate lower gross profit margins than those of retail sales due to bulk purchase discounts.

Staff costs

Staff costs for the year ended 31 March 2011 were HK\$29.2 million, consisted of HK\$14.4 million in commission based salaries, a decrease of HK\$11.0 million or approximately 27.4% from HK\$40.2 million for the year ended 31 March 2010, which consisted of HK\$21.2 million in commission based salaries. The decrease was primarily attributable to (1) a decrease of approximately HK\$6.0 million in performance related commission for frontline sales staff, which is in line with the decrease in sales for the year ended 31 March 2011. The commission portion paid to sales staff generally represents approximately 7.0% of the Group's retail sales (2) a decrease of approximately HK\$1.9 million in director's performance-related incentive payments, which is determined as a percentage (1.5%) of the Group's retail sales during the relevant period and (3) a decrease of approximately HK\$2.9 million in accrual for unutilized annual leave for frontline staff as a result of the decrease in such liabilities.

Depreciation and amortisation expense

Depreciation and amortisation expense for the year ended 31 March 2011 was HK\$1.5 million, which remained stable from that of the preceding year.

Finance costs

Our finance costs were HK\$0.4 million for the year ended 31 March 2011 a decrease of HK\$0.2 million or approximately 32.7%, from HK\$0.6 million for the year ended 31 March 2010. The decrease was primarily attributable to the lower amount of bank borrowings and lower interest rates for the year ended 31 March 2011 as compared to those for the year ended 31 March 2010.

Other expenses

Other expenses for the year ended 31 March 2011 were HK\$82.0 million, a decrease of HK\$6.7 million or approximately 7.6%, from HK\$88.7 million for the year ended 31 March 2010. The decrease was primarily due to a decrease of approximately HK\$8.6 million in commissions paid to consignment counters at department stores (which typically represent approximately 25.5-30% of our monthly gross sales or a minimum fixed fee) due to the decrease in revenue, a decrease of approximately HK\$2.0 million in rent, rates and building management fee for retail stores at shopping malls (which typically represent a fixed rental fee or approximately nil to 16.0% of our monthly gross sales, whichever is higher) as a result of the decrease in revenue and a decrease of approximately HK\$1.9 million in bank

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charges on customers payment by credit cards as a result of the decrease in revenue which was partially offset by an increase of approximately HK\$3.5 million in advertising and promotion expenses as there were more advertising activities in artwork, production, and media during the relevant period and an increase of approximately HK\$1.0 million in freight and transportation expenses including transportation costs from warehouses to shipping ports as a result of increased International Sales over the same period.

Profit before tax

Profit before tax for the year ended 31 March 2011 was HK\$44.0 million, a decrease of HK\$37.5 million or approximately 46.0%, from HK\$81.5 million for the year ended 31 March 2010 as a result of the factors described above.

Income tax expense

Income tax expense for each of the two years ended 31 March 2010 and 2011 was approximately HK\$12.4 million and HK\$6.9 million, respectively, representing an effective tax rate of approximately 15.2% and 15.6%, respectively. The slight increase in effective tax was due to underprovision of taxation in prior year amounted to approximately HK\$0.35 million accounted in the year ended 31 March 2011 while the decrease of HK\$5.5 million in income tax expense over the same period was primarily as a result of the decrease in our profit before tax for the year ended 31 March 2011.

Profit for the year

As a result of the factors described above, our profit for the year ended 31 March 2011 was HK\$37.2 million, a decrease of HK\$32.0 million or approximately 46.2%, from HK\$69.1 million for the year ended 31 March 2010. Our net profit margin was approximately 17.8% for the year ended 31 March 2011, a decrease from 23.9% for the year ended 31 March 2010.

Year ended 31 March 2010 compared to year ended 31 March 2009

Revenue

Revenue for the year ended 31 March 2010 was HK\$289.3 million, an increase of HK\$145.1 million or approximately 100.6%, from HK\$144.2 million for the year ended 31 March 2009. This increase was primarily attributable to a number of factors including (1) successful launch of two new key products. In particular, the successful launch of the Group's most successful new key relaxation products to date, the OTO Power Tap (a shoulder massager) was launched in July 2009, with an average selling price per unit of HKD1,817.19, contributed approximately HK\$107.3 million or 37.1% of revenue for the year ended 31 March 2010. Another new key relaxation product, OTO e-Lux (a back massager), was launched in March 2009 with an average selling price per unit of HKD1,878.47, contributed approximately HK\$55.0 million or 19.0% of revenue for the year ended 31 March 2010, and (2) successful joint promotion campaigns with a corporate customer, which contributed

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approximately HK\$24.8 million or 8.6% of revenue for the year ended 31 March 2010. This was partially offset by a decrease of HK\$47.0 million or 82.3% in revenue from HK\$57.1 million for the year ended 31 March 2009 to HK\$10.1 million for the year ended 31 March 2010 from e-Bliss, a key relaxation product launched in April 2008.

Other income

Other income for the year ended 31 March 2010 was HK\$3.1 million, an increase of HK\$1.0 million or approximately 50.3%, from HK\$2.1 million for the year ended 31 March 2009. The increase was primarily due to increases in delivery income due to increased in special delivery orders received from customers, repair income, and sundry income, which was partially offset by a decrease in other service income.

Other gains and losses

Other gains and losses for the year ended 31 March 2010 was a gain of HK\$1.8 million, an increase of HK\$3.0 million or approximately 243.6%, from a loss of HK\$1.2 million for the year ended 31 March 2009. The increase was primarily due to an increase in the fair value of investments at FVTPL (securities held for trading purpose) of HK\$1.3 million and an increase in the fair value of investment properties of HK\$1.7 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the year ended 31 March 2010 was HK\$0.5 million, a decrease of HK\$0.5 million or approximately 51.2% from HK\$1.0 million for the year ended 31 March 2009.

Finished goods purchased

Finished goods purchased for the year ended 31 March 2010 was HK\$82.1 million, an increase of HK\$43.5 million or approximately 112.9% from HK\$38.6 million for the year ended 31 March 2009. The increase was primarily attributable to the increase in revenue during the year.

Gross profit and gross profit margin

Gross profit for the year ended 31 March 2010 was HK\$203.6 million, an increase of HK\$99.2 million or approximately 95.0%, from HK\$104.4 million for the year ended 31 March 2009. The increase in gross profit was mainly due to the increase in our revenue and the factors described above which was partially offset by the decrease in gross profit margin due to changes in our product mix and sales channels. Our gross profit margin was 70.4% for the year ended 31 March 2010, a slight decrease from 72.4% for the year ended 31 March 2009.

The gross profit margin for relaxation products decreased by approximately 3.0% from 75.3% for the year ended 31 March 2009 to 72.3% for the year ended 31 March 2010 due to the launch of a new key relaxation product, OTO Power Tap, which had a gross profit margin of approximately 77.5%, lower than that of a new key relaxation product, OTO e-Bliss, a neck and shoulder massager,

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with a gross profit margin of approximately 87.3%), launched in the year ended in 31 March 2009. The lower gross profit margin of OTO Power Tap than that of OTO e-Bliss was primarily due to, among other factors, the difference in product costs, pricing and availability of similar products in the market. The gross profit margin for fitness products decreased by approximately 3.6% from 56.7% for the year ended 31 March 2009 to 53.1% for the year ended 31 March 2010 due to International Sales that generated lower gross profit margin than those of retail sales as a result of bulk purchase discounts. The gross profit margin for therapeutic products decreased by approximately 7.5% from 62.2% for the year ended 31 March 2009 to 54.7% for the year ended 31 March 2010 due to International Sales. The gross profit margin for diagnostic products remained relatively stable from 56.3% for the year ended 31 March 2009 to 57.7% for the year ended 31 March 2010. Furthermore, the increase in revenue from corporate sales and International Sales generated lower gross profit than that of our retail sales due to bulk purchase discounts.

Staff costs

Staff costs for the year ended 31 March 2010 were HK\$40.2 million, consisted of HK\$21.2 million in commission based salaries, an increase of HK\$16.9 million or approximately 72.4% from HK\$23.3 million for the year ended 31 March 2009, which consisted of HK\$10.9 million in commission based salaries. The increase was primarily attributable to (1) an increase of approximately HK\$8.4 million in performance related commission for frontline sales staff, of which the commission portion generally represents approximately 7.0% of the Group's retail sales (2) an increase of approximately HK\$2.9 million in director's performance-related incentive payments, which is determined as a percentage (1.5%) of the Group's retail sales during the relevant period, and (3) an increase of approximately HK\$2.4 million in unutilized annual leave for front-line sales staff.

Depreciation and amortisation expense

Depreciation and amortisation expense for the year ended 31 March 2010 was HK\$1.5 million, a decrease of HK\$1.5 million or approximately 49.9% from HK\$3.0 million for the year ended 31 March 2009. The decrease was due to a decrease in depreciation and amortization from leasehold improvements and furniture, fixtures and equipment for the year ended 31 March 2010.

Finance costs

Finance costs for the year ended 31 March 2010 were HK\$0.6 million, a slight increase of HK\$0.03 million or approximately 5.6%, from HK\$0.57 million for the year ended 31 March 2009. The increase was primarily attributable to the higher amount of bank borrowings but offset by lower interest rates for the year ended 31 March 2010 as compared to those for the year ended 31 March 2009.

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Other expenses

Other expenses for the year ended 31 March 2010 was HK\$88.8 million, an increase of HK\$24.6 million or approximately 38.3%, from HK\$64.2 million for the year ended 31 March 2009. The increase was primarily due to an increase of approximately HK\$13.0 million in commissions paid to consignment counters at department stores (which typically represent approximately 25.5-30% of our monthly gross sales or a minimum fixed fee) due to the increase in revenue, an increase of approximately HK\$3.3 million in rent, rates and building management fee for retail stores at shopping malls (which typically represent a fixed rental fee or approximately nil to 16.0% of our monthly gross sales, whichever is higher) as a result of the increase in revenue and an increase of approximately HK\$3.0 million in advertising and promotion expenses as there were more advertising activities in roadshows, shopping malls, and media, an increase of approximately HK\$2.9 million in bank charges on customers payment by credit cards as a result of the increase in revenue over the same period and an increase of approximately HK\$1.7 million in freight and transportation expenses including transportation costs from warehouse to shipping ports as a result of increase in International Sales over the period.

Profit before tax

Profit before tax for the year ended 31 March 2010 was HK\$81.5 million, an increase of HK\$65.1 million or approximately 396.0%, from HK\$16.4 million for the year ended 31 March 2009 as a result of the factors described above.

Income tax expense

Income tax expense for each of the two years ended 31 March 2009 and 2010 was approximately HK\$1.1 million and HK\$12.4 million, respectively, representing an effective tax rate of approximately 6.9% and 15.2%, respectively. The lower effective tax rate for the year ended 31 March 2009 was due to the utilization of tax loss carried forward from the year ended 31 March 2007. The related tax losses arose in the year ended 31 March 2007 in which OTO HK made adjusted tax losses amounting to approximately HK\$11.7 million due to a decrease in revenue in that year. The tax losses were subsequently utilized to offset against taxable income which was computed based on profit before tax of OTO HK adjusted by income not taxable and expenses not deductible for tax purposes, in the financial years up to the year ended 31 March 2009. The lower effective tax rate for the year ended 31 March 2010 than the domestic income tax rate of 16.5% was due to certain income not taxable and certain income tax credit. The increase of HK\$11.2 million in income tax expense over the same period was primarily as a result of the increase in our profit before tax for the year ended 31 March 2010.

Profit for the year

As a result of the factors described above, our profit for the year ended 31 March 2010 was HK\$69.1 million, an increase of HK\$53.8 million or approximately 352.0%, from HK\$15.3 million for the year ended 31 March 2009. Our net profit margin was approximately 23.9% for the year ended 31 March 2010, an increase from 10.6% for the year ended 31 March 2009.

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LIQUIDITY AND CAPITAL RESOURCES

The following table sets out selected cash flow data from the consolidated statements of cash flow for Track Record Period.

	For the year ended 31 March			For the five months ended 31 August	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net Cash from Operating Activities ..	20,179	76,173	22,387	19,365	7,306
Net Cash from (used in) Investing Activities.....	3,862	(2,426)	(3,786)	(1,170)	4,708
Net Cash (used in) from Financing Activities.....	<u>(8,468)</u>	<u>4,760</u>	<u>(18,206)</u>	<u>(2,117)</u>	<u>14,138</u>
Net Increase in Cash and Cash Equivalents.....	15,573	78,507	395	16,078	26,152
Cash and Cash Equivalents at Beginning of the Year/Period.....	<u>13,758</u>	<u>29,331</u>	<u>107,838</u>	<u>107,838</u>	<u>108,233</u>
Effect of Foreign Exchange Rate Changes	—	—	—	—	40
Cash and Cash Equivalents at end of the Year/Period, Represented by Bank Balances and Cash.....	<u>29,331</u>	<u>107,838</u>	<u>108,233</u>	<u>123,916</u>	<u>134,425</u>

Net cash from operating activities

Our net cash generated from operating activities was approximately HK\$7.3 million for the five months ended 31 August 2011, primarily reflecting our operating cash flows before movements in working capital of approximately HK\$14.2 million, as adjusted by a HK\$1.6 million decrease in amount due to a related party, a HK\$2.4 million increase in trade and other receivables, a HK\$1.5 million decrease in trade and other payables and a HK\$2.0 million decrease in investments at fair value through profit or loss.

Our net cash generated from operating activities was approximately HK\$22.4 million for the year ended 31 March 2011, primarily reflecting our operating cash flows before movements in working capital of approximately HK\$43.5 million, as adjusted by a HK\$1.6 million increase in inventories, a HK\$0.3 million increase in trade and other receivables and a HK\$0.5 million increase in trade and other payables, and a HK\$1.0 million increase in utility and other deposits paid.

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Our net cash generated from operating activities was approximately HK\$76.2 million for the year ended 31 March 2010, primarily reflecting our operating cash flows before movements in working capital of approximately HK\$81.7 million, as adjusted by a HK\$0.5 million increase in inventories, a HK\$6.6 million increase in trade and other receivables, a HK\$5.0 million increase in trade and other payables, a HK\$0.8 million increase in utility and other deposits paid, and a HK\$0.46 million decrease in investments at fair value through profit or loss.

Our net cash generated from operating activities was approximately HK\$20.2 million for the year ended 31 March 2009, primarily reflecting our operating cash flows before movements in working capital of approximately HK\$21.6 million, as adjusted by a HK\$1 million increase in inventories, a HK\$0.89 million decrease in trade and other receivables, a HK\$3.2 million decrease in trade and other payables, a HK\$1.1 million decrease in utility and other deposits paid, and a HK\$4.5 million increase in investments at fair value through profit or loss.

Net cash from (used in) investing activities

Our net cash from investing activities was approximately HK\$4.7 million for the five months ended 31 August 2011, primarily reflecting the proceeds of HK\$2.9 million from disposal of property, plant and equipment, a repayment of HK\$1.0 million from a director, and a repayment of HK\$1.0 million from related parties.

Our net cash used in investing activities was approximately HK\$3.8 million for the year ended 31 March 2011, primarily reflecting HK\$2.1 million addition of property, plant and equipment, HK\$1.0 million advance to a director, and HK\$0.7 million increase in deposit placed at an insurance company. The addition of property, plant and equipment primarily included capital expenditure on leasehold improvements that comprised mainly of renovations and decorations at retail outlets.

Our net cash used in investing activities was approximately HK\$2.4 million for the year ended 31 March 2010, primarily reflecting an increase of HK\$2.0 million in pledged bank deposits, HK\$0.9 million repayment from a director and HK\$0.7 million addition of property, plant and equipment. We increased our pledged bank deposits for the year ended 31 March 2010 which is in line with the increase in use of trust receipt loans. The addition of property, plant and equipment primarily included capital expenditure on leasehold improvements that comprised mainly on renovations and decorations at retail outlets.

Our net cash from investing activities was approximately HK\$3.9 million for the year ended 31 March 2009, primarily reflecting a decrease of HK\$4.0 million in pledged bank deposits, and partially offset by HK\$0.3 million addition of property, plant and equipment, and an increase of HK\$0.2 million in deposit placed at an insurance company. We decreased our pledged bank deposits for the year ended 31 March 2009 because of decrease in usage of trust receipt loan which was resulted from decrease in purchases for the year ended 31 March 2009 compared to the year ended 31 March 2008.

Net cash (used in) from financing activities

Our net cash from financing activities was approximately HK\$14.1 million for the five months ended 31 August 2011, primarily due to HK\$8.3 million in cash receipt from issuance of new shares, an increase of HK\$6.5 million in trust receipt loans, and a HK\$1.2 million loan from BSEL.

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Our net cash used in financing activities was approximately HK\$18.2 million for the year ended 31 March 2011, primarily due to HK\$14.8 million in dividend paid to our Shareholders, HK\$2.0 million in repayment of bank loans, and a decrease of HK\$0.5 million in trust receipt loans.

Our net cash from financing activities was approximately HK\$4.8 million for the year ended 31 March 2010, primarily due to HK\$6.0 million new bank loans raised for working capital needs and an increase of HK\$4.7 million in trust receipt loans, as partially offset by HK\$3.2 million in repayment of bank loans and HK\$2.0 million in dividend paid to our Shareholders.

Our net cash used in financing activities was approximately HK\$8.5 million for the year ended 31 March 2009, primarily due to a decrease of HK\$7.3 million in trust receipt loans, HK\$0.6 million in interest paid, and HK\$0.5 million in repayment of bank loans.

COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

The Group did not have any capital commitments as at 31 March 2009, 2010 and 2011 and 31 August 2011.

Contractual commitments

The Group as lessor

The Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	156	13	13
In the second to fifth years inclusive	—	13	—	—
	<u>—</u>	<u>169</u>	<u>13</u>	<u>13</u>

Leases are negotiated and rentals are fixed for terms ranging from one to two years.

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The Group as lessee

The Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	14,190	16,398	18,227	17,771
In the second to fifth years inclusive	1,449	25,036	7,784	10,497
	15,639	41,434	26,011	28,268

Our operating lease payments primarily represent rentals payable by the Group for its office, shops and consignment counters at department stores. Leases are negotiated for terms ranging from one year to three years with fixed monthly rentals and certain arrangements are subject to contingent rents based on a fixed percentage of the monthly gross turnover with or without the monthly minimum lease payments.

Contingent liabilities

Save as disclosed in “Indebtedness” in other part of this section, we did not have any outstanding loan capital issued or agree to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 31 August 2011.

CAPITAL EXPENDITURES

Historical capital expenditures

For the three years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2011, our capital expenditures primarily included expenditures for leasehold improvements that comprise mainly of renovation and decoration, furniture, fixtures and equipment for retail stores and department store consignment counters.

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The following table sets forth our capital expenditures for the periods indicated.

	For the year ended 31 March			For the five months ended 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions of leasehold improvements	190	580	1,967	23
Additions of motor vehicles for logistics	392	—	—	—
Additions of furniture, fixtures, and equipment	<u>72</u>	<u>152</u>	<u>126</u>	<u>272</u>
Total	<u><u>654</u></u>	<u><u>732</u></u>	<u><u>2,093</u></u>	<u><u>295</u></u>

Planned capital expenditures

For the remainder of the financial year ending 31 March 2012, our capital expenditures are expected to be approximately HK\$3.9 million, primarily consist of expenditures related to the expansion of our retail network in the PRC and improvements of existing retail outlets in Hong Kong, which include purchases of leasehold improvements, furniture, fixtures and equipment for existing and additional retail outlets and department store consignment counters in Hong Kong and China, additional transportation vehicles as well as upgrade of management information system. Please refer to the section headed “Future Plans and Use of Net Proceeds” for further information. There is no assurance that any of the planned capital expenditures will proceed as planned. We plan to fund our future capital expenditures with cash flows from our operating activities and the proceeds from the Global Offering.

WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to us including internally generated funds, the available bank loans and the estimated net proceeds from the Global Offering, the working capital available to us is sufficient for our present requirements and for at least the next 12 months from the date of this prospectus.

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NET CURRENT ASSETS

The following sets forth details of our Group's current assets and current liabilities as at 31 March 2009, 2010 and 2011 and 31 August 2011 and 31 October 2011:

	As at 31 March			As at 31 August	As at 31 October
	2009	2010	2011	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets					
Inventories	4,787	5,282	6,856	7,893	8,130
Investments at fair value through profit or loss ⁽¹⁾	1,090	808	2,779	654	2,535
Available-for-sale investments ⁽²⁾	230	330	378	318	276
Trade and other receivables	9,322	15,940	17,067	23,604	29,426
Amounts due from related parties ⁽³⁾	838	860	1,440	150	26
Amount due from a director ⁽³⁾	532	—	995	9	9
Tax recoverable	—	—	3,182	3,008	1,776
Pledged bank deposits	4,395	6,403	6,406	6,408	6,408
Bank balances and cash	29,331	107,838	108,233	134,425	127,654
	50,525	137,461	147,336	176,469	176,240
Asset classified as held for sale	—	—	1,582	—	—
	50,525	137,461	148,918	176,469	176,240
Current liabilities					
Trade and other payables	9,248	14,259	14,789	15,626	17,171
Amounts due to directors ⁽³⁾	3,176	3,151	2,827	2,827	2,519
Amounts due to related parties ⁽³⁾	1,201	1,542	2,490	1,391	526
Amounts due to shareholders ⁽³⁾	241	241	223	223	208
Obligations under finance leases	97	90	—	—	—
Dividend payables	6,772	20,933	10,171	9,433	9,433
Tax payable	1,062	10,059	258	1,019	1,004
Bank borrowings	8,109	15,591	13,118	18,761	10,593
	29,906	65,866	43,876	49,280	41,454
Net current assets	20,619	71,595	105,042	127,189	134,786

Note:

- (1) Investments at fair value through profit or loss consist of equity securities listed in Hong Kong and equity linked notes. The nature of equity securities listed in Hong Kong consist mainly of quoted shares of seven to eight listed companies, including China Telecom Corporation Limited, China Life Insurance Company Limited, Datang International Power Generation Company Limited, Hunan Nonferrous Metals Corporation Limited and others. Equity linked notes consist of (i) private placement capital protected note issued by the Hong Kong and Shanghai Banking Corporation Limited, a

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four-year HSBC Holdings Limited principal protected average growth note which is a capital protected investment and linked to quoted shares of HSBC Holdings Limited (stock code: 5) where return depends on the average share price performance of quoted shares of HSBC Holdings Limited (stock code: 5) over the tenure of the note; and (ii) Barclays equity linked note issued by Barclays Bank Plc, which is a capital protected investment and linked to quoted shares of HSBC Holdings Limited (stock code: 5), Sun Hung Kai Properties Limited (stock code: 16), China Mobile (Hong Kong) Limited (stock code: 941) and China Communications Construction Company Limited (stock code: 1800) where return depends on the share price performance of the four quoted shares during the tenure of the notes. The private placement capital protected note matured and was redeemed on 31 May 2011 where the Group received cash amounting to HK\$2.0 million on the same date, which resulted a gain of approximately HK\$21,000.

Details of the equity linked notes are set forth in Note 20 in the Accountants' Report as set out in Appendix IA to this prospectus. The purpose of the investment in equity linked notes is mainly to provide a form of collateral (instead of bank fixed deposit that yield low interest) for bank facilities the Group was granted by bankers. The Group's bank facilities consist mainly of trade facilities (letter of credit and trust receipts) which are mainly for its product procurement. The Group's treasury policy for these investments is that the investment must be in the form of capital protected note linked to securities of reputable listed companies, the tenure should not be more than five years and the total value of these investments shall not be more than HK\$5 million. The management members who oversee these investment are Mr. Charlie Yip and Mr. Wong Yoon Tim.

As confirmed by the Directors, equity securities listed in Hong Kong and investment funds amounted to approximately HK\$1.3 million, HK\$1.1 million, HK\$1.2 million and HK\$1.0 million for each of the three years ended 31 March 2011 and the five months ended 31 August 2011. These investments were made in the year prior to the year ended 31 March 2009, with no significant movement. The Directors intended to dispose of the investment in 2011 and the Company will not undertake additional investment of this nature in the future.

- (2) Available-for-sale investments are mainly unlisted investment fund in Hong Kong, consisting of (i) Nanyang Commercial Bank ("NCB") China equity fund which is an opened fund investing mainly in quoted shares of listed companies in Hong Kong; and (ii) NCB China resources opportunities fund which is an open fund investing mainly in quoted shares of listed companies in Hong Kong relating to resources for economic growth and development.
- (3) All amounts due from/to directors, related parties and shareholders will be fully settled before Listing.

Our net current assets increased by 247.2% from HK\$20.6 million as at 31 March 2009 to HK\$71.6 million as at 31 March 2010, primarily due to an increase of HK\$78.5 million in bank balances and cash, an increase of HK\$6.6 million in trade and other receivables, and an increase of HK\$2.0 million in pledged bank deposits. These amounts were partially offset by an increase of HK\$14.2 million in dividend payables, an increase of HK\$9.0 million in tax payable, an increase of HK\$7.5 million in bank borrowings for working capital needs, and an increase of HK\$5.0 million in trade and other payables. Our net current assets increased by 46.7% from HK\$71.6 million as at 31 March 2010 to HK\$105.0 million as at 31 March 2011, primarily due to a decrease of HK\$10.8 million in dividend payables, a decrease of HK\$9.8 million in tax payable, an increase of HK\$3.2 million in tax recoverable, a decrease of HK\$2.5 million in bank borrowings, an increase of HK\$2.0 million in investment at FVTPL, an increase of HK\$1.6 million in asset classified as held for sales, an increase of HK\$1.6 million in inventories — finished goods held for sale, and an increase of HK\$1.1 million in trade and other receivables.

As at 31 August 2011, we had net current assets of HK\$127.2 million. The key components of our current assets included bank balances and cash of HK\$134.4 million, trade and other receivables of HK\$23.6 million, inventories — finished goods held for sale of HK\$7.9 million, and pledged bank deposits of HK\$6.4 million. The key components of our current liabilities included bank borrowings of HK\$18.8 million, trade and other payables of HK\$15.6 million, and dividend payables of HK\$9.4 million.

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The balances due from related parties were primarily related to the balances with OTO Malaysia, OTO International (H.K.) Company Limited, OTO Shanghai and OTO Advertising Agency Co. Except for the amounts due from OTO Shanghai which is partially trade nature and repayable within 30 days, the amounts due from related parties are non-trade in nature arising from certain payment on behalf by us. The amount due from a Director was related to a sum advanced to a Director. Except for the amounts due to related parties of HK\$1.2 million, HK\$1.5 million, HK\$2.5 million and HK\$0.9 million as at 31 March 2009, 2010 and 2011 and 31 August 2011, respectively, are trade nature and repayable within 30 days, the amounts due to Directors and related parties are unsecured, interest-free and repayable on demand. All amounts due from/to directors, related parties and shareholders will be fully settled before Listing.

Inventories

The following table sets forth a summary of our inventories and the average inventory turnover days for the periods indicated:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Inventories	4,787	5,282	6,856	7,893
Average inventory turnover days ⁽¹⁾	39.2	21.4	35.3	33.9

Note:

- (1) Average inventory turnover days for each of the years ended 31 March 2009, 2010 and 2011 are calculated using the average of the beginning and ending inventory balances, divided by cost of sales for the period and multiplied by 365 days. Average inventory turnover days for the five months ended 31 August 2011 are calculated using the average of the beginning and ending inventory balances, divided by cost of sales for the period and multiplied by 152 days.

All of our inventories represent finished goods held for sales. Our inventories increased by HK\$0.5 million from approximately HK\$4.8 million as at 31 March 2009 to approximately HK\$5.3 million as at 31 March 2010 and our average inventory turnover days decreased from 39.2 days for the year ended 31 March 2009 to 21.4 days for the year ended 31 March 2010, primarily due to the significant increase in our sales from OTO Power Tap and OTO e-Lux over the same period.

Our inventories increased by HK\$1.6 million from approximately HK\$5.3 million as at 31 March 2010 to approximately HK\$6.9 million as at 31 March 2011 due to the continued demand for OTO Power Tap and the stocking of inventory during the last quarter of the year ended 31 March 2011 for a new therapeutic product, OTO e-Physio, which was launched in March 2011. Our average inventory turnover days increased from 21.4 days for the year ended 31 March 2010 to 35.3 days for the year ended 31 March 2011, primarily due to an increase in closing inventory as at 31 March 2011 as a result of the continued demand for OTO Power Tap and the stocking of inventory for a new therapeutic product, OTO e-Physio which was launched in March 2011 coupled with a decrease in our sales, and hence our purchases, attributable from the delayed product launch of our fitness product (OTO cruncher) and our relaxation product (OTO Power Repose) over the same period.

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Our inventories increased by HK\$1.0 million from approximately HK\$6.9 million as at 31 March 2011 to approximately HK\$7.9 million as at 31 August 2011 due to the two new products launched, namely OTO e-Physio (launched in March 2011) and OTO Master Sense (launched in July 2011). Our average inventory turnover days remained stable from 35.3 days for the year ended 31 March 2011 to 33.9 days for the five months ended 31 August 2011.

At the end of each reporting period, the management of the Group reviews an aging analysis and makes specific provision for slow-moving inventory items when necessary. The provision made by the Group on slow-moving inventories is based on the current market conditions, an assessment of the net realizable value of inventories, and historical experience of selling merchandise of similar nature. Provisions are applied to inventories where events or changes in circumstances indicate that the net realizable value is lowered than the cost of inventories. During the Track Record Period, no provision was made on the inventories.

As at the Latest Practicable Date, we sold approximately 70.0% of our inventory as at 31 August 2011.

Trade and other receivables

The following table sets forth a breakdown of our trade and other receivables and our average trade and other receivables turnover days for the periods indicated:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	7,764	15,154	14,155	18,783
Less: allowance for doubtful debts	(800)	(800)	—	—
	<u>6,964</u>	<u>14,354</u>	<u>14,155</u>	<u>18,783</u>
Other receivables, prepayments and deposits:				
Bills receivable	—	—	—	667
Prepayments	920	360	2,657	3,302
Temporary advances	1,320	1,086	28	—
Others	118	140	227	852
	<u>2,358</u>	<u>1,586</u>	<u>2,912</u>	<u>4,821</u>
Total	9,322	15,940	17,067	23,604
Average trade receivables turnover days ⁽¹⁾	22.3	14.5	25.5	25.1

(1) Average trade receivables turnover days for each of the years ended 31 March 2009, 2010, and 2011 are calculated using the average of the beginning and ending trade receivables balances, divided by revenue for the period and multiplied by 365 days. Average trade receivables turnover days for the five months ended 31 August 2011 are calculated using the average of the beginning and ending trade receivables balances, divided by revenue for the period and multiplied by 152 days.

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Our trade receivables primarily consisted of receivables from our department store consignment counters, sales to corporate customers and receivables from international customers. Our trade receivables increased from HK\$7.8 million as at 31 March 2009 to HK\$15.2 million as at 31 March 2010, primarily as the result of increases in our sales, particularly increase in sales through department consignment counters, corporate and international customers. Our trade receivables decreased from HK\$15.2 million as at 31 March 2010 to HK\$14.2 million as at 31 March 2011, primarily due to the lower level of sales in the year ended 31 March 2011. Our trade receivables increased from HK\$14.2 million as at 31 March 2011 to HK\$18.8 million as at 31 August 2011, primarily due to the increase in sales from international and corporate customers in the five months ended 31 August 2011.

For our department store consignment counters, we account for sales in each month with department stores at the end of the month. The department stores then arrange for payment within the pre-agreed payment period, which is typically 30-90 days. Retail sales are normally settled in cash or by credit card with the settlement from the corresponding financial institutions within 14 days. We grant on average credit periods from 30 days to 90 days to our corporate customers. As at 31 March 2009, 2010 and 2011 and 31 August 2011, our trade receivables as a percentage of our revenue were 5.4%, 5.2%, and 6.8% and 18.8%, respectively.

Prepayments consisted mainly of promotion and advertising expenses which were prepaid and were charged to income statement subsequent to 31 March 2011. Temporary advances consisted of advance payment to manufacturers and were charged to income statement upon purchases subsequent to 31 March 2011. Others comprised mainly of miscellaneous advance payment for roadshows and freight and transportation expenses.

Our average trade receivables turnover days decreased from 22.3 days as at 31 March 2009 to 14.5 days as at 31 March 2010, increased from 14.5 days as at 31 March 2010 to 25.5 days as at 31 March 2011, and remained stable at 25.1 days as at 31 August 2011. The decrease in the average receivable turnover days as at 31 March 2010 was primarily due to the significant increase in sales contributed from two new products, namely OTO Power Tap and OTO e-Lux and as a result of relatively higher sales contribution from our retail stores compared to our department store consignment counter, corporate and international sales as sales from retail stores have relatively shorter collection period of 0-14 days vs 30-60 days in other sale channels and the increase in the average receivable turnover days as at 31 March 2011 was primarily due to the delay in payment from two of the corporate sales customers of the Group as a result of joint promotion programs with progressive payment terms.

Up to the Latest Practicable Date, we have collected approximately 73.2% of our account receivables as at 31 August 2011.

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The following table sets forth an aging analysis of trade receivables, net of allowance of doubtful debts, presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables				
0 - 30 days	6,633	9,714	6,425	9,496
31 - 60 days	286	3,495	2,868	4,094
61 - 90 days	—	883	1,462	1,724
Over 90 days	45	262	3,400	3,469
	<u>6,964</u>	<u>14,354</u>	<u>14,155</u>	<u>18,783</u>

The table below sets forth an aging analysis of trade receivables that are past due but not impaired:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	251	353	292	243
31 - 60 days	286	1,025	1,641	1,640
61 - 90 days	—	520	1,024	1,092
Over 90 days	45	262	3,400	3,469
Total	<u>582</u>	<u>2,160</u>	<u>6,357</u>	<u>6,444</u>

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The table below sets forth the movement in our allowance for doubtful debts for the periods indicated.

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year/period	800	800	800	—
Impairment losses recognised on trade receivables	748	—	14	—
Amounts written off as uncollectible.....	(748)	—	(14)	—
Reversal of impairment loss on trade receivables	—	—	(800)	—
Balance at end of the year/period.....	<u>800</u>	<u>800</u>	<u>—</u>	<u>—</u>

In determining the recoverability of a trade receivables, the Group considers any change in the credit quality of the trade receivables from the date at which credit was initially granted up to the reporting date.

Our trade receivables that were past due but not impaired increased from approximately HK\$0.6 million as at 31 March 2009 to approximately HK\$2.2 million as at 31 March 2010, primarily due to a significant increases in our sales to a corporate customer. Our trade receivables that were past due but not impaired increased from approximately HK\$2.2 million as at 31 March 2010 to approximately HK\$6.4 million as at 31 March 2011, primarily due to increases in our International Sales. In particular, the significant increase in trade receivables aged over 90 days from 31 March 2009 to 31 March 2011 was primarily due trade receivables from two corporate customers. These receivables were subsequently settled fully in August 2011. Our trade receivables that were past due but not impaired remained relatively stable at approximately HK\$6.4 million as at 31 March 2011 and as at 31 August 2011. All of our receivables that were past due but not impaired as at 31 August 2011 had been collected as at Latest Practicable Date.

We grant credit periods to customers after careful review of their credit histories with us and their background. We discuss repayment plans each month with our customers that have overdue receivables with us. The repayment plans do not provide for repayment by installments. These repayment plans contain a commitment from our customers to repay all outstanding amounts by one date. In practice, customers under repayment plans pay us portions of the outstanding amount when they have available cash and often repay the full amount before the deadline in the repayment plan. We believe that our credit control measures are effective. We determine the amount of provision for trade receivables based on our past experience, historical results and reasonable estimate of the likelihood of collection based on our review of customers' background and payment history. Our Directors believe that we made adequate provision for our trade receivables during the Track Record Period. For the year ended 31 March 2009, we incurred a bad debt of approximately HK\$0.75 million due to the insolvency of one of our corporate customers.

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As at 31 March 2009, 2010 and 2011 and 31 August 2011, included in the Group's trade receivable balance were debtors with aggregate carrying amount of approximately HK\$0.6 million, HK\$2.2 million, HK\$6.4 million, and HK\$6.4 million, respectively which were past due as at the reporting date for which the Group did not provide for impairment loss as there was not a significant change in credit quality and the amounts were still considered recoverable based on historical experience.

Trade and other payables

The following table sets forth the breakdown of our trade payables, the total of our other payables for the periods indicated:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	1,877	3,144	3,483	5,781
Other payables and accruals:				
Receipts in advance ⁽¹⁾	1,862	1,938	2,716	2,867
Accruals ⁽²⁾	3,085	5,767	5,276	4,190
Others ⁽³⁾	2,424	3,410	3,314	2,788
	<u>7,371</u>	<u>11,115</u>	<u>11,306</u>	<u>9,845</u>
	<u>9,248</u>	<u>14,259</u>	<u>14,789</u>	<u>15,626</u>
Average trade payables turnover days ⁽⁴⁾	27.9	10.7	19.3	21.3

Notes:

- (1) Receipts in advance represents amounts received in advance from customers prior to sales of products.
- (2) Accruals mainly represents accrued salary and provision for annual leave
- (3) As at 31 March 2009, 2010 and 2011 and 31 August 2011, amounts of approximately nil, HK\$1.7 million, HK\$1.2 million and HK\$1.0 million, respectively, included in others were deferred revenue in relation to customer loyalty programs which are cash coupons expiring within 90 days after the end of each reporting date. The amount of cash coupons with expiry period of 90 days from the grant date is not recognized as revenue at the date of grant, but is deferred and recognized as revenue when the coupons are redeemed or upon expiration. The amount of deferred revenue at the end of each reporting period is assessed by the management by applying a usage rate, which is estimated with reference to the proportion of the number of coupons redeemed over total number of coupons issued during that reporting period, to the amount of outstanding cash coupons issued and are not expired at end of each reporting period. The Group closely monitors the usage rate of cash coupons and the management reviews amounts of the outstanding coupons periodically. No deferred revenue was recorded as at 31 March 2009 due to the insignificant amount of cash coupons outstanding at that date. The insignificant amount of cash coupons outstanding at 31 March 2009 was mainly attributable to relatively lower sales for the three months ended 31 March 2009 compared to the corresponding 3 months ended 31 March 2010. The decrease in deferred revenue of approximately HK\$0.5 million from HK\$1.7 million as at 31 March 2010 to HK\$1.2 million as at 31 March 2011 was due to a lower number of cash coupons issued during the period from January 2011 to

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March 2011 compared to the number of cash coupons issued over the comparative period in the preceding year. The lower number of cash coupons issued from January 2011 to March 2011 was mainly due to less promotional activities during the period. For further details of the customer loyalty programs, please refer to the section headed “Business — Marketing and Promotion” to this prospectus.

- (4) Average trade payables turnover days for each of the years ended 31 March 2009, 2010, and 2011 are calculated using the average of the beginning and ending trade payables balances, divided by cost of sales for the period and multiplied by 365 days. Average trade payables turnover days for the five months ended 31 August 2011 are calculated using the average of the beginning and ending trade payables balances, divided by cost of sales for the period and multiplied by 152 days.

The following table sets forth an aging analysis of our trade payables as at the dates indicated.

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables:				
0 - 30 days	1,826	3,144	3,214	5,002
31 - 60 days	51	—	269	158
61 - 90 days	—	—	—	147
Over 90 days	—	—	—	474
	1,877	3,144	3,483	5,781

Our trade payables are derived primarily from payables relating to the purchase of finished goods. Our suppliers generally grant us credit period of 30-60 days and we generally settle our payables to our suppliers via letter of credit or telegraphic transfer. Our trade payables increased from approximately HK\$1.9 million as at 31 March 2009 to approximately HK\$3.1 million as at 31 March 2010 primarily due to an increase in our sales activities and hence our purchases. Our trade payables increased from approximately HK\$3.1 million as at 31 March 2010 to approximately HK\$3.5 million as at 31 March 2011 and increased from approximately HK\$3.5 million as at 31 March 2011 to approximately HK\$5.8 million as at 31 August 2011 primarily due to an increase in credit periods for purchases from our largest supplier. Given our long-term relationship with and our large order quantity from our largest supplier, our largest supplier grants us longer credit periods from time to time for our purchases. Our average trade payables turnover days decreased from 27.9 days as at 31 March 2009 to 10.7 days as at 31 March 2010 was primarily due to the relatively greater increase in finished goods purchase (112.9%) than the increase in trade payables (67.5%) over the same period coupled with the significant increase in our sales, and hence our purchases, from the successful launch of two relaxation products including OTO Power Tap and OTO e-Lux over the same period. Our average trade payables turnover days increased from 10.7 days as at 31 March 2010 to 19.3 days as at 31 March 2011 was primarily due to the increase in the credit periods for purchases from one of our top five suppliers. Our average trade payables turnover days increased from 19.3 days as at 31 March 2010 to 21.3 days as at 31 August 2011 was primarily due to the increase in the credit periods for purchases from one of our top five suppliers. As at the Latest Practicable Date, we had paid all of our trade payables outstanding as at 31 August 2011.

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INDEBTEDNESS

Bank and other borrowings

The following table sets forth our bank borrowings for the periods indicated.

	As at 31 March			As at 31 August	As at 31 October
	2009	2010	2011	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	2,244	5,043	3,079	2,240	1,900
Trust receipt loans	5,865	10,548	10,039	16,521	8,693
	<u>8,109</u>	<u>15,591</u>	<u>13,118</u>	<u>18,761</u>	<u>10,593</u>
Secured	8,109	10,548	10,039	16,521	8,693
Unsecured	—	5,043	3,079	2,240	1,900
	<u>8,109</u>	<u>15,591</u>	<u>13,118</u>	<u>18,761</u>	<u>10,593</u>
Carrying amount repayable:					
On demand or within one year....	6,266	12,512	12,070	18,581	10,593
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	1,843	3,079	1,048	180	—
	<u>8,109</u>	<u>15,591</u>	<u>13,118</u>	<u>18,761</u>	<u>10,593</u>
Less: Amounts due within one year shown under current liabilities	<u>(8,109)</u>	<u>(15,591)</u>	<u>(13,118)</u>	<u>(18,761)</u>	<u>(10,593)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The following table sets out the effective interest rate per annum to the Group's variable rate borrowings for the periods indicated:

	As at 31 March			As at 31 August	As at 31 October
	2009	2010	2011	2011	2011
Variable-rate borrowings ..	2.75%-7.6%	2%-5.5%	2%-5.8%	2%-4.8%	1.9%-4.8%

The Group's borrowings are denominated in Hong Kong dollars, United States dollars and Singapore dollars.

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At the close of business on 31 October 2011, being the latest practicable date prior to the printing of this prospectus, the Group had outstanding amounts due to directors of HK\$2.5 million, amount due to a related party of HK\$0.5 million, amounts due to shareholders of HK\$0.2 million, dividend payables of HK\$9.4 million and bank borrowings of HK\$10.6 million including a bank loan of HK\$1.9 million and trust receipt loans of HK\$8.7 million. Bank borrowings of HK\$8.7 million were secured by fixed charges on certain of the Group's assets, including leasehold land and buildings, investment properties, bank deposits and investments at fair value through profit or loss. All amounts due from/to directors, related parties and shareholders will be fully settled before Listing.

The Group's banking facilities are also secured by personal guarantees given by certain directors. The guarantees will be released and will be replaced by guarantees from the Company before listing of its securities on The Stock Exchange of Hong Kong Limited.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 October 2011 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has been no material change in our Company's indebtedness and contingent liabilities since 31 October 2011.

Off-balance sheet commitments and arrangements

As at the Latest Practicable Date, we did not enter into any off-balance sheet transactions.

MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios as of the dates indicated.

	As at 31 March			As at 31 August
	2009	2010	2011	2011
Quick ratio ⁽¹⁾	1.53	2.01	3.24	3.42
Current ratio ⁽²⁾	1.69	2.09	3.39	3.58
Gearing ratio ⁽³⁾	11.7%	9.8%	7.6%	9.4%
Return on assets ⁽⁴⁾	21.2%	43.0%	21.6%	5.7%
Return on equity ⁽⁵⁾	36.5%	72.8%	29.0%	7.6%

Notes:

(1) (Current assets - inventories)/current liabilities

(2) Current assets / current liabilities

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- (3) Gearing ratio is calculated based on bank borrowings and obligations under finance leases divided by total assets at the end of the year/period and multiplied by 100%
- (4) Return on assets is calculated based on profit for the year divided by total assets at the end of year/period and multiplied by 100%
- (5) Return on equity is calculated based on profit for the year divided by total equity at the end of year/period and multiplied by 100%

Quick Ratio

The quick ratio increased from 1.53 as at 31 March 2009 to 2.01 as at 31 March 2010, primarily due to (1) an increase in bank balances and cash of HK\$78.5 million from HK\$29.3 million as at 31 March 2009 to HK\$107.8 million as at 31 March 2010 due to the significant increase in our sales attributable from OTO Power Tap and OTO e-Lux; and (2) an increase in trade and other receivables of HK\$6.6 million from HK\$9.3 million as at 31 March 2009 to HK\$15.9 million as at 31 March 2010.

The quick ratio increased from 2.01 as at 31 March 2010 to 3.24 as at 31 March 2011, primarily due to (1) a decrease of HK\$10.8 million in dividend payables from HK\$20.9 million as at 31 March 2010 to HK\$10.2 million as at 31 March 2011; (2) a decrease of HK\$9.8 million in tax payable from HK\$10.1 million as at 31 March 2010 to HK\$0.3 million as at 31 March 2011; (3) an increase of HK\$3.2 million in tax recoverable from nil as at 31 March 2010 to HK\$3.2 million as at 31 March 2011; (4) a decrease of HK\$2.5 million in bank borrowings from HK\$15.6 million as at 31 March 2010 to HK\$13.1 million as at 31 March 2011; (5) an increase of HK\$2.0 million in investments at fair value through profit or loss from HK\$0.8 million as at 31 March 2010 to HK\$2.8 million as at 31 March 2011 and (6) an increase of HK\$1.1 million in trade and other receivables from HK\$15.9 million as at 31 March 2010 to HK\$17.1 million as at 31 March 2011.

The quick ratio remained relatively stable from 3.24 as at 31 March 2011 to 3.42 as at 31 August 2011.

Current Ratio

The current ratio increased from 1.69 as at 31 March 2009 to 2.09 as at 31 March 2010, primarily due to (1) an increase in bank balances and cash of HK\$78.5 million from HK\$29.3 million as at 31 March 2009 to HK\$107.8 million as at 31 March 2010 due to the significant increase in our sales attributable from OTO Power Tap and OTO e-Lux; and (2) an increase in trade and other receivables of HK\$6.6 million from HK\$9.3 million as at 31 March 2009 to HK\$15.9 million as at 31 March 2010.

The current ratio increased from 2.09 as at 31 March 2010 to 3.39 as at 31 March 2011, was also primarily due to (1) a decrease of HK\$10.7 million in dividend payables from HK\$20.9 million as at 31 March 2010 to HK\$10.2 million as at 31 March 2011; (2) a decrease of HK\$9.8 million in tax payable from HK\$10.1 million as at 31 March 2010 to HK\$0.3 million as at 31 March 2011; (3) an increase of HK\$3.2 million in tax recoverable from nil as at 31 March 2010 to HK\$3.2 million as at 31 March 2011; (4) a decrease of HK\$2.5 million in bank borrowings from HK\$15.6 million as at 31 March 2010 to HK\$13.1 million as at 31 March 2011; (5) an increase of HK\$2.0 million in investments at fair value through profit or loss classified under current assets from HK\$0.8 million as at 31 March 2010 to HK\$2.8 million as at 31 March 2011 and (6) an increase of HK\$1.1 million in trade and other receivables from HK\$15.9 million as at 31 March 2010 to HK\$17.1 million as at 31 March 2011.

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The current ratio remained relatively stable from 3.39 as at 31 March 2011 to 3.58 as at 31 August 2011.

Gearing Ratio

The gearing ratio decreased from 11.7% as at 31 March 2009 to 9.8% as at 31 March 2010, primarily because the increase in our Group's total assets outpaced the increase in our Group's bank borrowings where the total assets increased HK\$89.0 million from HK\$72.0 million as at 31 March 2009 to HK\$161.0 million as at 31 March 2010 primarily due to (1) an increase in bank balances and cash of HK\$78.5 million from HK\$29.3 million as at 31 March 2009 to HK\$107.8 million as at 31 March 2010 due to the significant increase in our sales attributable from OTO PowerTap and OTO e-Lux; and (2) an increase in trade and other receivables of HK\$6.6 million from HK\$9.3 million as at 31 March 2009 to HK\$15.9 million as at 31 March 2010.

The gearing ratio further decreased from 9.8% as at 31 March 2010 to 7.6% as at 31 March 2011, primarily due to the further increase of HK\$11.1 million in total assets from HK\$161.0 million as at 31 March 2010 to HK\$172.1 million as at 31 March 2011 primarily due to (1) an increase of HK\$3.2 million in tax recoverable from nil as at 31 March 2010 to HK\$3.2 million as at 31 March 2011; (2) an increase of HK\$2.0 million in investments at fair value through profit or loss classified under current assets from HK\$0.8 million as at 31 March 2010 to HK\$2.8 million as at 31 March 2011 and (3) an increase of HK\$1.1 million in trade and other receivables from HK\$15.9 million as at 31 March 2010 to HK\$17.1 million as at 31 March 2011 while there was a decrease of HK\$2.5 million in bank borrowings from HK\$15.6 million as at 31 March 2010 to HK\$13.1 million as at 31 March 2011.

The gearing ratio increased from 7.6% as at 31 March 2011 to 9.4% as at 31 August 2011, primarily due to an increase of HK\$5.6 million in bank borrowings from HK\$13.1 million as at 31 March 2011 to HK\$18.8 million as at 31 August 2011.

Return on Assets

The return on assets increased from 21.2% for the year ended 31 March 2009 to 43.0% for the year ended 31 March 2010, was primarily due to an increase of HK\$53.8 million in profit for the year from HK\$15.3 million for the year ended 31 March 2009 to HK\$69.1 million for the year ended 31 March 2010 due to the significant increase in our sales attributable from OTO Power Tap and OTO e-Lux.

The return on assets decreased from 43.0% for the year ended 31 March 2010 to 21.6% for the year ended 31 March 2011, was primarily due to a decrease of HK\$31.9 million in profit for the year from HK\$69.1 million for the year ended 31 March 2010 to HK\$37.2 million for the year ended 31 March 2011 coupled with an increase of HK\$11.1 million in total assets from HK\$161.0 million as at 31 March 2010 to HK\$172.1 million as at 31 March 2011 primarily due to (1) an increase of HK\$3.2 million in tax recoverable from nil as at 31 March 2010 to HK\$3.2 million as at 31 March 2011; (2)

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an increase of HK\$2.0 million in investments at fair value through profit or loss classified under current assets from HK\$0.8 million as at 31 March 2010 to HK\$2.8 million as at 31 March 2011 and (3) an increase of HK\$1.2 million in trade and other receivables from HK\$15.9 million as at 31 March 2010 to HK\$17.1 million as at 31 March 2011.

Return on Equity

The return on equity increased from 36.5% for the year ended 31 March 2009 to 72.8% for the year ended 31 March 2010 was primarily due to an increase of HK\$53.8 million in profit for the year from HK\$15.3 million for the year ended 31 March 2009 to HK\$69.1 million for the year ended 31 March 2010 due to the significant increase in our sales attributable from OTO Power Tap and OTO e-Lux.

The return on equity decreased from 72.8% for the year ended 31 March 2010 to 29.0% for the year ended 31 March 2011 was primarily due to a decrease of HK\$31.9 million in profit for the year from HK\$69.1 million for the year ended 31 March 2010 to HK\$37.2 million for the year ended 31 March 2011 coupled with an increase of HK\$33.2 million in total equity from HK\$95.0 million as at 31 March 2010 to HK\$128.2 million as at 31 March 2011. The increase in total equity was primarily due to the net profit offer for the year ended 31 March 2011 amounted to approximately HK\$37.2 million, which was partially offset by dividend decreased over the same period amounted to approximately HK\$4.0 million

RELATED PARTY TRANSACTIONS

The balance of asset classified as held for sale arose from a land and building, which was expected to be disposed of within twelve months at a consideration of HK\$2.95 million pursuant to a provisional sale and purchase agreement entered into between the Group and a Director, namely, Mr. Charlie Yip. In the opinion of our Directors, it is in the interest of the Group to dispose the land and building to Mr. Charlie Yip as it is part of the Group's plan to rationalise the assets allocation of the Group to channel more cash resource for the operation of the Group for working capital purposes. After the disposal, the property was then leased to OTO HK as staff quarter. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, determined the consideration using the direct comparison approach which is widely accepted in the market and is of the view that the sale and purchase agreement relating to the transaction was made on normal commercial terms according to a separate valuation report. For a description of the related party transactions, see note 35 in the Accountants' Report set forth in Appendix IA and note 21 in the Accountants' Report set forth in Appendix IB to this prospectus.

With respect to the related party transactions set out in the Accountants' Reports in Appendix IA and IB to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or our terms that are not less favorable than terms available from Independent Third Parties which are considered fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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DISTRIBUTABLE RESERVE

As at 31 August 2011, we had HK\$142.8 million of distributable reserves, which are available for distribution to our equity holders.

DIVIDEND POLICY

We declared dividends of approximately HK\$0.9 million, HK\$16.2 million and HK\$4.0 million during the years ended 31 March 2009, 31 March 2010 and 31 March 2011, respectively, to our Shareholders prior to the Listing. The dividend due to the Shareholders amounted to approximately HK\$9.4 million as at 31 August 2011. Our Directors confirm that the dividend payable will be fully settled by the cash balances of our Group on 29 November 2011. No dividends were declared for the five months ended 31 August 2011. The Directors have assessed the working capital position of our Group and considered our cash resources are sufficient for the full payment of the outstanding dividend due to the Shareholders.

We currently intend to recommend at the annual general meetings of our Company that dividends of no more than 30% of our net profit for the year ending 31 March 2012 after the Listing would be available for distribution to shareholders after the Global Offering.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

PROFIT FORECAST FOR THE YEAR ENDING 31 MARCH 2012

We have prepared the following profit forecast for the year ending 31 March 2012 on the bases and assumptions as set out in “Appendix III — Profit Forecast” to this prospectus. Our Directors believe that, in the absence of unforeseen circumstances and on the bases and assumptions as set out in “Appendix III — Profit Forecast” to this prospectus, our profit after taxation but before extraordinary items for the year ending 31 March 2012 is unlikely to be less than HK\$50.8 million.

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For the year ending 31 March 2012

Forecast of consolidated profit attributable to owners of the Company ⁽¹⁾	not less than HK\$50.8 million
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	not less than HK\$0.16

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 March 2012 has been prepared are summarized in Appendix III to this prospectus.
- (2) The unaudited pro forma forecast basic earnings per Share is calculated in accordance with paragraph 4.29(8) of the Listing Rules on a weighted average basis by dividing the forecast consolidated profit attributable to owners of the Company for the year ending 31 March 2012 by a weighted average of 318,620,817 shares assumed to be issued and outstanding during the year ending 31 March 2012. The weighted average of 318,620,817 shares is calculated based on 218,734,920 shares issued and outstanding as at 1 April 2011, 2,065,075 shares issued in relation to the acquisition of OTO Shanghai on 13 April 2011, 19,200,000 shares issued to Pre-IPO investors on 26 April 2011 and 80,000,000 shares to be issued pursuant to the Global Offering on the assumption that the Global Offering and capitalisation issue had been completed on 1 April 2011.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 30 September 2011 and is of the opinion that the value of our property interests is an aggregate amount of approximately HK\$14.8 million. The full text of the letter, summary of valuer and valuation certificates with regard to such property interests are set out in Appendix IV of this prospectus.

The reconciliation of the net book value of our properties as derived from our audited financial statements as of 31 August 2011 to the property valuation report in Appendix IV is set forth below:

	<u>HK\$'000</u>
Net book value of properties of our group as of 31 August 2011 as set out in the accountants' report in Appendix IA to this prospectus — Investment properties, leasehold land and buildings	9,355
Less: Depreciation and amortisation of properties for the month of September 2011 (unaudited).....	<u>(11)</u>
Net book value of properties of our group as of 30 September 2011	9,344
Valuation surplus	<u>5,486</u>
Valuation of properties as of 30 September 2011 as set out in the property valuation report in Appendix IV to this prospectus	<u><u>14,830</u></u>

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NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospectus since 31 August 2011, and no event since 31 August 2011 has occurred that would materially affect the information shown in the Accountants' Report set out in Appendix IA to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis set forth in the notes below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 August 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as of 31 August 2011, after the completion of the Global Offering or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of 31 August 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾
	HKD'000	HKD'000	HKD'000	HKD'000
Based on an Offer Price of HK\$1.28 per Share	150,552	79,838	230,390	0.72
Based on an Offer Price of HK\$1.60 per Share	150,552	104,350	254,902	0.80

-
- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of 31 August 2011 are based on audited consolidated net assets of the Group attributable to owners of the Company as of 31 August 2011 of HK\$150,552,000 as set out in Appendix IA to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 80,000,000 shares to be issued under the Global Offering and the Offer Price of HK\$1.28 and HK\$1.60 per share, being the lower end and higher end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$10.2 million listing-related expense which has been accounted for prior to 31 August 2011) payable by the Company in connection with the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 320,000,000 shares in issue immediately following the completion of the Global Offering. No consideration has been given to any Shares which may be issued pursuant to the Share Option Scheme. By comparing the valuation of our property interest as set out in Appendix IV to this prospectus, to the carrying amounts of the respective property interest of the Group as at 30 September 2011, the net valuation surplus attributable to properties interests stated at historical cost less depreciation or amortisation (the "Property Interests") is approximately

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HK\$5.5 million which has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company. The valuation surplus of the Property Interests will not be incorporated in our consolidated financial statements. If the valuation surplus were to be included in the consolidated financial statements, an additional depreciation charge of approximately HK\$0.2 million per annum would be incurred.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

We are exposed to various types of market risks, including interest rate risks, foreign exchange risks and liquidity risks.

Foreign currency risks

We undertake certain transactions denominated in foreign currencies, which exposes us to foreign currency risk. Our foreign currency monetary liabilities are mainly trade payables and amounts due to related companies.

The carrying amounts of our foreign currency denominated monetary assets and monetary liabilities for the indicated periods are set out below.

	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	Assets			Assets	Liabilities			Liabilities
	2009	2010	2011	2011	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States								
dollars	1,547	2,745	2,799	4,965	6,324	13,345	13,419	20,730
HK\$	3,641	8,874	13,234	11,067	—	—	—	—
Renminbi.....	124	100	10,124	10,453	—	—	—	—
SGD.....	—	—	2,618	13,412	2,264	1,542	2,274	636

Foreign currency sensitivity analysis

We are mainly exposed to the currency risk of RMB and SGD against HK\$. The following table details our sensitivity to a 10% increase or decrease in HK\$ against foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates.

FINANCIAL INFORMATION

A positive number below indicates an increase in profit after tax where HK\$ strengthen 10% against the foreign currency. For a 10% weakening against the foreign currency, there would be an equal and opposite impact on the profit after tax, and the balances below would be negative.

	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	RMB Impact			RMB Impact	SGD Impact			SGD Impact
	2009	2010	2011	2011	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Decrease) increase in profit.....	<u>(10)</u>	<u>(8)</u>	<u>(845)</u>	<u>(873)</u>	<u>189</u>	<u>129</u>	<u>(29)</u>	<u>(1,067)</u>

We closely monitor the effects of changes in foreign exchange rates on our currency risk exposures. We currently do not take any measures to hedge currency risk exposures.

Interest rate risks

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings. We currently do not have an interest rate hedging policy. However, our management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year/period. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the potential effect on the Group's profit after tax during the relevant periods is as follows:

	For the year ended 31 March			For the five months ended 31 August
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in profit	<u>34</u>	<u>65</u>	<u>55</u>	<u>33</u>

If interest rates had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the profit after tax.

FINANCIAL INFORMATION

Other price risk

We are exposed to other price risk through our investments in listed equity securities, equity-linked notes and investment funds.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to other price risk at the reporting date.

If the price of the respective investments has been 10% higher/lower, profit for the year/period would increase/decrease by HK\$0.39 million, HK\$0.39 million, HK\$0.39 million and HK\$0.22 million for the years ended 31 March 2009, 2010, 2011 and the five months ended 31 August 2011, respectively, as a result of the changes in fair value of investments at fair value through profit or loss, and investment revaluation reserve would increase/decrease by HK\$0.02 million, HK\$0.03 million, HK\$0.04 million and HK\$0.03 million for the years ended 31 March 2009, 2010, 2011 and the five months ended 31 August 2011, respectively, as a result of the changes in fair value of available-for-sale investments.

Credit risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Our credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and a director, pledged bank deposits and bank balances.

We review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, our Directors consider that the Group's credit risk is significantly reduced.

We have concentration of credit risk as 82%, 57%, 54% and 47% of the total trade receivables represented amounts due from our largest five trade debtors which mainly include department stores and wholesale customers as at 31 March 2009, 2010, 2011 and 31 August 2011, respectively.

Liquidity risks

Our management has built an appropriate liquidity risk management framework for the management of our short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring our cash flow position.

FUTURE PLANS AND USES OF PROCEEDS

FUTURE PLANS

Please refer to “Business — Business strategies” of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.44 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.28 to HK\$1.60 per Offer Share), the net proceeds from the Global Offering, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK\$81.9 million. Our Directors presently intend to apply the net proceeds as follows:

- Approximately 56.0% or HK\$45.9 million, of the total estimated net proceeds will be used for the expansion of our PRC operations for the three years ending 31 March 2014.
 - (i) For the year ending 31 March 2012, we plan to invest:
 - approximately HK\$2.7 million to open 18 new consignment counters in Beijing and Shanghai;
 - approximately HK\$1.0 million for recruitment of over 50 additional sales and marketing staff;
 - approximately HK\$1.1 million for the purchase of two transportation vehicles and hiring of seven logistics and warehouse staff;
 - (ii) For the year ending 31 March 2013, we plan to invest:
 - approximately HK\$9.7 million to open 30 new consignment counters and 15 new retail stores in Beijing, Shanghai, and other major cities including Shenzhen and Guangzhou; In line with our previous practice and experience, the establishment of a medium-size retail stores and a consignment counter typically costs approximately HK\$350,000 and HK\$150,000, respectively.
 - approximately HK\$7.1 million for recruitment of over 130 additional sales and marketing staff;
 - approximately HK\$3.6 million for the purchase of six transportation vehicles and hiring of 22 additional logistics and warehouse staff;
 - (iii) For the year ending 31 March 2014, we plan to invest:
 - approximately HK\$9.5 million to open 40 new consignment counters and 10 new retail stores in Shenzhen, Guangzhou, Chengdu, Chongqing, Xian, and Wuhan;
 - approximately HK\$7.9 million for recruitment of 150 additional sales and marketing staff;
 - approximately HK\$3.3 million for the purchase of two additional transportation vehicles and hiring of 30 logistics and warehouse staff.

FUTURE PLANS AND USES OF PROCEEDS

- Approximately 24.4% or HK\$20.0 million of the total estimated net proceeds will be used for advertising and promotional activities in the PRC including (i) approximately HK\$10.0 million in brand promotion and enhancement activities such as engagement of product spokespersons, sponsorship, roadshows; and (ii) approximately HK\$10.0 million in media advertising such as television commercials, outdoor advertising, and advertisements in newspapers and magazines;
- Approximately 9.8% or HK\$8.0 million of the total estimated net proceeds will be used to enhance our research and development capability, including approximately HK\$3.8 million in recruitment of four additional professional designers and other research and development staff, approximately HK\$3.0 million in procurement of tools and mould development, approximately HK\$0.9 million in engagement of domestic and international marketing and consulting firms, and approximately HK\$0.3 million for the purchase of advanced software to assist our design and development activities; and
- Approximately 9.8% or HK\$8.0 million of the total estimated net proceeds will be used for upgrading our information systems in Hong Kong, Macau, and the PRC.

In the event the Offer Price is set at the low end of the proposed Offer Price range, being HK\$1.28 per Offer Share, the net proceeds from the Global Offering will decrease to approximately HK\$69.6 million. The amount of net proceeds proposed to be used for advertising and promotional activities in the PRC will be reduced accordingly.

In the event the Offer Price is set above the low end but below the mid-point of the proposed Offer Price range, the amount of net proceeds proposed to be used for advertising and promotional activities in the PRC will be reduced accordingly.

In the event the Offer Price is set above the mid-point but below the high end of the proposed Offer Price range, we intend to apply the additional net proceeds to renovate and redecorate our existing retail outlets in Hong Kong and Macau.

In the event the Offer Price is set at the high end of the proposed Offer Price range, being HK\$1.60 per Offer Share, the net proceeds from the Global Offering will increase to approximately HK\$94.1 million. We intend to apply the additional net proceeds to renovate and redecorate our existing retail outlets in Hong Kong and Macau.

If we exercise the Over-allotment in full, we estimate that the net proceeds of the Global Offering to the Selling Shareholders to be approximately HK\$16.5 million (assuming the mid-point of the proposed Offer Price range), after deducting the underwriting fees payable by the Selling Shareholders in relation to the Global Offering. The Selling Shareholders will be responsible for the underwriting fees for the Sale Shares, and the expenses incurred in relation to the Global Offering will be borne by us. We will not receive any proceeds from the sale of Sale Shares by the Selling Shareholders from the exercise of the Over-allotment Option.

FUTURE PLANS AND USES OF PROCEEDS

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interests. We will also disclose the same in the relevant annual report(s).

In utilizing the proceeds from the Global Offering into the PRC, as an offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiary, OTO Shanghai, only through shareholder loans or capital contributions, which are subject to satisfaction of applicable government registration and approval requirements in the PRC. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. Further details on this risk factor are set forth in the section headed “Risk Factors — Risks relating to the PRC — Changes in PRC foreign exchange regulations may adversely affect our business operations” in this prospectus.

UNDERWRITING

HONG KONG UNDERWRITERS

Sole Bookrunner and Sole Lead Manager

BOCOM International Securities Limited

Co-Lead Managers

OSK Securities Hong Kong Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering our Hong Kong Offer Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated. Subject to the listing of and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe for, or procure subscribers to subscribe for, our Hong Kong Offer Shares.

Grounds for termination

The Sole Global Coordinator (for itself and one behalf of the other Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur or come into force:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the PRC, Korea, Taiwan or any other jurisdiction(s) relevant to our Company and its subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

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- (ii) any change (whether or not permanent) in Hong Kong, Macau, the PRC, Korea, Taiwan, Asia, Europe, Middle-East, national, regional, financial, military, industrial or economic conditions or prospects, the stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters; or
- (iii) without prejudice to sub-paragraph (i) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, Macau, the PRC, Korea, Taiwan, the BVI, the Cayman Islands or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by any jurisdictions in Hong Kong, Macau, the PRC, Korea, Taiwan or any other jurisdiction(s) relevant to our Company and its subsidiaries;
- (viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (ix) order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

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and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or inexpedient to proceed with the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any material respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or
- (c) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any breach on the part of our Company or any of the covenantors under the Hong Kong Underwriting Agreement of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) to be material; or
- (d) any statement contained in this prospectus, notices, advertisements, announcements, web proof information pack, the submissions, documents or information provided to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal adviser to the Sole Global Coordinator and the Underwriters and any other parties involved in the Global Offering which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, web proof information pack was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), a material omission of such information; or
- (f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is material; or

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- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold under the Global Offering and the Shares to be issued pursuant to the Capitalisation Issue is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (j) there comes to the notice of the Sole Global Coordinator or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):
 - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Global Offering; or
 - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

Undertakings

Each of the Controlling Shareholders jointly and severally undertakes to each of our Company, the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, save for (a) any lending of Shares by BSEL pursuant to the Stock Borrowing Agreement; and (b) sale of Sale Shares pursuant to the exercise of the Over-allotment Option, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its Associates will:

- (i) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “First Six Month Period”), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the

UNDERWRITING

foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (ii) he or it will not, during the period of six months commencing on the date on which the First Six month Period expires (the “Second Six Month Period”), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it together with his/its associates taken as a whole will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him or it and/or any of his or its associates which owns such Shares or interests as aforesaid; and
- (iii) until the expiry of the Second Six Month period, in the event that he or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer for subscription and the offer for sale of the Offer Shares pursuant to the Global Offering (including the sale of the Offer Shares pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to the Capitalisation Issue as disclosed in this prospectus and the Stock Borrowing Agreement, during the First Six Month Period, our Company hereby undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters not to, and

UNDERWRITING

to procure each member of our Group not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such member of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) and (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Controlling Shareholders undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company and the warrantors under the Hong Kong Underwriting Agreement undertakes to and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Underwriters), no company in our Group will during the First Six Month Period purchase any securities of our Company.

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Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that:

- (a) save with the prior written notification to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it shall not and shall procure that none of his or its Associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him or it or any of their Associates or in which he or it or any of their Associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him or it or any of their Associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and
- (b) in the event that notification is given to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), when he or it or any of their Associates shall pledge, charge or create any encumbrance or other right or any of our Shares or interests referred to in paragraph (a) above, he or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “Mortgagee”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he or it or any of their Associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of our Shares or interests referred to in paragraph (a) above, he or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that our Company shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (b) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

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The International Placing

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company will offer our International Placing Shares for subscription by and, if the Over-allotment Option is exercised, the Selling Shareholders will offer the Sale Shares to, certain professional, institutional and private investors at the Offer Price payable in full on subscription and/or purchase, on and subject to the terms and conditions set out in the International Underwriting Agreement. It is expected that the International Underwriters will agree to severally underwrite for our International Placing Shares.

Commission

The Hong Kong Underwriters will receive a commission of 3.0% of the aggregate Offer Price of our Hong Kong Offer Shares underwritten by the Hong Kong Underwriters and the International Underwriters will receive a commission of 3.0% of the aggregate of the Offer Price of our International Placing Shares underwritten by the International Underwriters, out of which they will pay any sub-underwriting commissions.

The Sole Sponsor will in addition receive sponsorship and documentation fees. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.44 (being the mid-point of Offer Price range between HK\$1.28 per Offer Share and HK\$1.60 per Offer Share), are estimated to amount to approximately HK\$33.3 million in total (assuming that the Over-allotment Option is not being exercised). The Selling Shareholders will pay commissions and incentive fees (if any), SFC transaction levy and Stock Exchange trading fee and buyers' and sellers' stamp duties in respect of the Sale Shares (if applicable).

Hong Kong Underwriters' interests in our Company

Save for their interests and obligations under the Underwriting Agreements, none of the Sole Sponsor, the Sole Global Coordinator or the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

Minimum public float

Our Directors will ensure that there will be a minimum of 25% of the total Shares in issue in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Capitalisation Issue and the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Tuesday, 6 December 2011, and in any event, not later than Thursday, 8 December 2011.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.60 per Offer Share and is expected to be not less than HK\$1.28 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of Tuesday, 6 December 2011, being the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Hong Kong Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the Company's website at www.otobodycare.com and the Stock Exchange's website at www.hkexnews.hk notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. **If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Monday, 12 December 2011.

STRUCTURE OF THE GLOBAL OFFERING

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.60 per Offer Share and is expected to be not less than HK\$1.28 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$1.60 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK\$3,232.26 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$1.60 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your monies” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE GLOBAL OFFERING

The Global Offering comprises:

- the Hong Kong Public Offer of 8,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed “Hong Kong Public Offer”; and
- the International Placing of 72,000,000 Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below).

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

Our Company is expected to offer initially 72,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option) at the Offer Price under the International Placing, representing 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$1.60 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy of the Offer Price. For details of the Selling Shareholders and the number of Sale Shares being offered by them, please refer to the section headed “Brief details of the Selling Shareholders” in Appendix VI to this prospectus.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business

STRUCTURE OF THE GLOBAL OFFERING

involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its Shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offer.

Our Company, Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Hong Kong Public Offer” of this section.

Hong Kong Public Offer

Our Company is initially offering 8,000,000 Hong Kong Offer Shares for subscription (subject to adjustment) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$1.60 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares after deducting the 800,000 Hong Kong Offer Shares available for subscription by the Eligible Employees (as more particularly set out in the paragraph headed “Employee Preferential Offering” of this section) will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 3,600,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares available in

STRUCTURE OF THE GLOBAL OFFERING

pool B will consist of 3,600,000 Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Employee Preferential Offering

Up to 800,000 Hong Kong Offer Shares, representing 10% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offer, 1% of the Offer Shares and approximately 0.25% of the enlarged issued share capital of our Company upon completion of the Global Offering and the Capitalisation Issue, are available for subscription by the Eligible Employees on a preferential basis. The 800,000 Hong Kong Offer Shares initially available to Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a pro-rata basis in proportion (as nearly as possible without involving fraction of a board lot) to the level of valid applications received from Eligible Employees, or balloted if there are insufficient Hong Kong Offer Shares available to **PINK** Application Form applicants. If balloting is conducted, some Eligible Employees may be allocated more Hong Kong Offer Shares than others who have applied for the same number of Hong Kong Offer Shares. The allocation of Hong Kong Offer Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on seniority or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Hong Kong Offer Shares. Any application made on a **PINK** Application Form for more than 100% Hong Kong Offer Shares will be rejected. Allocation of Hong Kong Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Hong Kong Offer Shares available for subscription by Eligible Employees on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service.

STRUCTURE OF THE GLOBAL OFFERING

As at the Latest Practicable Date, there were 150 Eligible Employees.

In case not all the 800,000 Shares are subscribed for by the Eligible Employees, the undersubscribed Shares will be available for subscription by the public under the Hong Kong Public Offer.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 24,000,000 Shares, representing 30% of the Offer Shares;
- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 32,000,000 Shares, representing 40% of the Offer Shares; and
- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 40,000,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

In the event there remains any Hong Kong Offer Shares initially available for subscription by the Eligible Employees after satisfying in full all the excess applications for such Hong Kong Offer Shares from certain Eligible Employees on a fair and reasonable basis, such Hong Kong Offer Shares will be reallocated to the Hong Kong Public Offer. Subject as mentioned above, no Hong Kong Offer Shares initially available for subscription by the Eligible Employees will be reallocated from the employee preferential offering for Eligible Employees to the International Placing.

STRUCTURE OF THE GLOBAL OFFERING

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholders are expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Selling Shareholders may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to sell up to 12,000,000 Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 12,000,000 Shares will represent 3.75% of the Company's issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 12,000,000 Shares, being the number of the Shares that may be sold pursuant to the exercise of the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangements or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

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Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on Thursday, 5 January 2012:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
 - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the earlier of the 30th day after the last day for the lodging of applications under the Hong Kong

STRUCTURE OF THE GLOBAL OFFERING

Public Offer or the commencement of trading of the Shares on the Stock Exchange, that the stabilising period is expected to expire on Thursday, 5 January 2012, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;

- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 12,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 12,000,000 Shares from BSEL, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. **Stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:**

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;
- the maximum number of Shares borrowed from BSEL will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to BSEL or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full; or (iii) such earlier time as may be agreed in writing between the borrower and BSEL;
- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and regulatory requirements; and
- no payments will be made to BSEL by the Underwriters in relation to the stock borrowing arrangement.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. CHANNELS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- giving **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf;
- by means of **HK eIPO WHITE Form** by submitting applications online through the designated website at www.hkeipo.hk. Use **HK eIPO WHITE Form** if you want the Shares issued in your own name.

Eligible Employees may also make an application for the Hong Kong Offer Shares pursuant to the employee preferential offering for Eligible Employees by using a **PINK** Application Form.

Except where (i) you are a nominee and provide the required information in your application; or (ii) you are an Eligible Employee who has made an application for Hong Kong Offer Shares using a **PINK** Application Form, you or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO WHITE Form** Service Provider.

2. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address; and
- are not a US Person (as defined in Regulation S of the US Securities Act of 1933, as amended (the “US Securities Act”));

If you wish to apply for Hong Kong Offer Shares online through the designated website at www.hkeipo.hk under the **HK eIPO WHITE Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO WHITE Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO WHITE Form** service.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four (except for applications made using the **PINK** Application Form(s) where no joint application will be permitted).

The Company, the Sole Sponsor or the Sole Global Coordinator (for itself and on behalf of the Underwriters) or its respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, the Directors, or chief executive officers or their respective associates or any other connected persons (as defined in the Listing Rules) of the Company or persons who will become connected persons of the Company immediately upon completion of the Global Offering.

You should also note that you may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Placing, but may not do both.

3. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) **Apply through the designated HK eIPO WHITE Form service**

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **HK eIPO WHITE Form** by submitting applications online through the designated website at www.hkeipo.hk. Use **HK eIPO WHITE Form** if you want the Hong Kong Offer Shares to be registered in your own name.

(c) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(d) **By giving electronic application instruction to HKSCC Via CCASS**

Instead of using a **WHITE** or **YELLOW** Application Form or **HK eIPO WHITE Form** service, you may give **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(e) **PINK Application Forms**

Use a **PINK** Application Form if you are an Eligible Employee and want the Hong Kong Offer Shares to be registered in your own name and want your application to be given preferential consideration under the Employee Preferential Offering. Joint applications are not permitted. You may not apply on behalf of other person(s) as a nominee.

Note: Except in the circumstances permitted under the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive of our Company or any of its subsidiaries or associates or connected persons or persons who do not have a Hong Kong address.

4. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 1 December 2011 until 12:00 noon on Tuesday, 6 December 2011 from:

any of the following Hong Kong Underwriters:

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

OSK Securities Hong Kong Limited
12/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

UOB Kay Hian (Hong Kong) Limited
15/F, AON China Building
29 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

or any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Central District Sub-Branch	G/F., Far East Consortium Bldg, 125A Des Voeux Road C., Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
	Kennedy Town Sub-Branch	G/F., 113-119 Belcher's Street, Kennedy Town
Kowloon	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road
	Jordan Sub-Branch	1/F., Booman Building, 37U Jordan Road
	Wong Tai Sin Sub-Branch	Shops 127-129, 1/F., Lung Cheung Plaza, 136 Lung Cheung Road
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Yuen Long Sub-Branch	Shop B-F, G/F., 2-14 Tai Fung Street
	Sheung Shui Sub-Branch	Shops 10-14, G/F., Sheung Shui Centre Shopping Arcade

- (b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 1 December 2011 until 12:00 noon on Tuesday, 6 December 2011 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or your broker may have **YELLOW** Application Forms and this prospectus available.
- (c) Each Eligible Employee can collect a **PINK** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 1 December 2011 until 4:00 p.m. on Monday, 5 December 2011 from our office at 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

(a)(i) **WHITE or YELLOW Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Tuesday, 6 December 2011, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Thursday, 1 December 2011 — 9:00 a.m. to 5:00 p.m.

Friday, 2 December 2011 — 9:00 a.m. to 5:00 p.m.

Saturday, 3 December 2011 — 9:00 a.m. to 1:00 p.m.

Monday, 5 December 2011 — 9:00 a.m. to 5:00 p.m.

Tuesday, 6 December 2011 — 9:00 a.m. to 12:00 noon

(a)(ii) **PINK Application Forms**

Your completed **PINK** Application Forms, together with payment attached, must be returned to our joint company secretary, Mr. Wong Yoon Thim, at our Company's office at 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong by 4:00 p.m. on Monday, 5 December 2011.

(b) **Electronic application instructions to HKSCC**

CCASS Clearing Participants or CCASS Custodian Participants should input **electronic application instructions** at the following times:

Thursday, 1 December 2011 — 9:00 a.m. to 8:30 p.m.⁽¹⁾

Friday, 2 December 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Saturday, 3 December 2011 — 8:00 a.m. to 1:00 p.m.⁽¹⁾

Monday, 5 December 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Tuesday, 6 December 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 1 December 2011 until 12:00 noon on Tuesday, 6 December 2011 (24 hours daily, except on the last application date).

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The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Tuesday, 6 December 2011 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

(c) **HK eIPO WHITE Form**

You may submit your application to the designated **HK eIPO WHITE Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Thursday, 1 December 2011 until 11:30 a.m. on Tuesday, 6 December 2011 or such later time as described under the sub-paragraph headed “Effects of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 6 December 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subparagraph headed “Effects of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the designated **HK eIPO WHITE Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(d) **Application lists**

The application lists will be opened from 11:45 a.m. to 12:00 noon on Tuesday, 6 December 2011, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) **Effect of bad weather conditions on the opening of the application lists**

The application lists will be opened between 11:45 a.m. and 12:00 noon on Tuesday, 6 December 2011, subject to weather conditions. The application lists will not be open in relation to the Hong Kong Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 December 2011. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

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6. HOW TO APPLY USING A WHITE, YELLOW OR PINK APPLICATION FORM

- (a) Obtain a **WHITE, YELLOW** or **PINK** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form. **PINK** Application Form applicants should apply in your own name.
- (c) Decide how many Hong Kong Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table of numbers and payments set out in the Application Forms on the basis of the maximum Offer Price of HK\$1.60 per Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%.
- (d) Complete the Application Form and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, the Company, the Sole Sponsor or the Sole Global Coordinator (or its agents or nominees) may accept or reject the application at their discretion, and subject to any conditions as it thinks fit, including production of evidence of the authority of your attorney. The Sole Global Coordinator in its capacity as the agent of our Company has full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.
- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form. If you pay by cheque, the cheque must:
 - be in Hong Kong dollars;
 - not be post-dated;
 - be drawn on your Hong Kong dollar bank account in Hong Kong;
 - show your account name, which must either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank. This account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account (except for application made using the **PINK** Application Form(s) where no joint application will be permitted), one of the joint account names must be the same as the name of the first-named applicant;

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- be made payable to “Bank of Communications (Nominee) Co., Ltd. - OTO Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on the first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application (except for application made using the **PINK** Application Form(s) where no joint application will be permitted), the name on the reverse of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to “Bank of Communications (Nominee) Co., Ltd. - OTO Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your banker’s cashier order does not meet all these requirements.

- (f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the collection boxes by the time and at one of the locations, as respectively referred to in subparagraph 4(a) above.
- (g) If you are applying for Shares using a **PINK** Application Form, you should lodge your Application Form with our joint company secretary, Mr. Wong Yoon Thim, by the time as referred to in paragraph 5(a)(ii) of this section.
- (h) The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Tuesday, 6 December 2011. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of e-Auto Refund payment instructions/refund cheques). The right is also reserved to retain any Share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

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- (i) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you can make” in this section.
- (j) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the application form. Only written signatures will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by an individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain your full name and your Hong Kong Identity Card number; and
 - the CCASS Investor Participant should insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by a joint individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain all joint CCASS Investor Participants’ names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - the CCASS Participant I.D. must be inserted in the appropriate box on the **YELLOW** Application Form.
- If you are applying as a corporate CCASS Investor Participant:
 - the **YELLOW** Application Form must contain the CCASS Investor Participant’s company name and Hong Kong business registration number; and
 - the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant’s company name) must be inserted in the appropriate box on the **YELLOW** Application Form.
- Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.

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- (k) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

7. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

- (a) You may apply through **HK eIPO WHITE Form** by submitting an application through the designated website at www.hkeipo.hk. If you apply through **HK eIPO WHITE Form**, the Shares will be issued in your own name. For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO WHITE Form** service to the **HK eIPO WHITE Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.
- (b) Detailed instructions for application through the **HK eIPO WHITE Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO WHITE Form** Service Provider and may not be submitted to the Company.
- (c) The designated **HK eIPO WHITE Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO WHITE Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **HK eIPO WHITE Form** Service Provider through the **HK eIPO WHITE Form** service, you are deemed to have authorised the designated **HK eIPO WHITE Form** Service Provider to transfer the details of your application to the Company and the Hong Kong Branch Share Registrar.
- (e) You may submit an application through the **HK eIPO WHITE Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (f) You should give **electronic application instructions** through **HK eIPO WHITE Form** at the times set out in paragraph (b) of the paragraph headed “When to apply for the Hong Kong Offer Shares” of this section.
- (g) You should make payment for your application made by **HK eIPO WHITE Form** service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 6 December 2011, or such later time as described under the paragraph headed “Effects of bad weather conditions on

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the opening of the application lists” in the section headed “When to apply for the Hong Kong Offer Shares” above, the designated **HK eIPO WHITE Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

- (h) **Warning: The application for Hong Kong Offer Shares through the HK eIPO WHITE Form service is only a facility provided by the designated HK eIPO WHITE Form Service Provider to public investors. Our Company, Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, the HK eIPO WHITE Form Service Provider and other parties involved in the Global Offering take no responsibility for such applications, and provide no assurance that applications through the HK eIPO WHITE Form service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO WHITE Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO WHITE Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. See “How many applications you can make” below.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

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and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to the Company and the Hong Kong Branch Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table on the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:
 - (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and
 - (ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in the paragraph headed “Effect of making any application” below.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit (other than an application (if any) made on a **PINK** Application Form by you in the capacity of an Eligible Employee), the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.
- (h) For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

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- (i) The paragraph headed “Personal data” below applies to any personal data held by the Sole Sponsor, the Sole Global Coordinator, the Company and the Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and all other parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) submit the **WHITE** or **YELLOW** Application Form (as appropriate); or
- (b) go to HKSCC’s Customer Service Centre to complete an application instruction input request form before **12:00 noon on Tuesday, 6 December 2011** or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” above.

9. RESULTS OF ALLOCATIONS

Our Company expects to publish the announcement on the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allotment of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.otobodycare.com on Monday, 12 December 2011. Results of allocations in the Hong Kong Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** Application Forms, **YELLOW** Application Forms or **PINK** Application Forms or the designated **HK**

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eIPO WHITE Form Service Provider through the designated **HK eIPO WHITE Form** website or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer will be available from the results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Monday, 12 December 2011 to 12:00 midnight on Sunday, 18 December 2011. A “Search by ID” function will be available on the results of allocations website at www.tricor.com.hk/ipo/result. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 12 December 2011 to Thursday, 15 December 2011;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual receiving bank branches and sub-branches from Monday, 12 December 2011 to Wednesday, 14 December 2011 at all the receiving bank branches and subbranches at the addresses set out in the section headed “Where to collect the Application Forms” above.
- Results of allocations for the Hong Kong Public Offer can be found in the announcement to be published on the Company’s website at www.otobodycare.com and the website of the Stock Exchange at www.hkexnews.hk on Monday, 12 December 2011.

10. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit, or

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- you are an Eligible Employee applying for Hong Kong Offer Shares on a **PINK** Application Form, in which case you may make one more application for the Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or by submitting an application online through the **HK eIPO White Form** service. However, in respect of any application for Hong Kong Offer Shares using the above-mentioned methods, you will not enjoy any preferential treatment as accorded to you under the Employee Preferential Offering as described in the paragraph headed “Employee Preferential Offering” of the section headed “Structure of the Global Offering” in this prospectus.

Otherwise, multiple or suspected multiple applications are liable to be rejected.

- (b) Save as referred to (a) above, all of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO WHITE Form** Service Provider; or
 - both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** Application Form or one (or more) **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO WHITE Form** Service Provider; or
 - make more than one application on a **PINK** Application Form; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO WHITE Form** Service Provider for more than 3,600,000 Hong Kong Offer Shares (being 50% of the 7,200,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offer after deducting the 800,000 Hong Kong Offer Shares available for subscription by Eligible Employees using **PINK** Application Forms); or
 - have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.

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- (c) All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) unless you are an Eligible Employee who has made an application on a **PINK** Application Form. If an application is made by an unlisted company and:
- (i) the principal business of that company is dealing in securities; and
 - (ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (i) control the composition of the board of directors of that company; or
 - (ii) control more than half of the voting power of that company; or
 - (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (d) If you apply by means of **HK eIPO WHITE Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO WHITE Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO WHITE Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO WHITE Form** service by giving **electronic application instructions** through the designated website at www.hkeipo.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO WHITE Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

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11. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles;
 - represent and warrant that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing and submitting the Application Form and you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S of the US Securities Act);
 - confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning our Company and you agree that neither the Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
 - agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
 - (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
 - (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO WHITE Form** Service Provider via **HK eIPO WHITE Form** service (other than an application made on a **PINK** Application Form by an Eligible Employee);

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- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or to the designated **HK eIPO WHITE Form** Service Provider via **HK eIPO WHITE Form** service, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bankers, the Sole Sponsor, the Sole Global Coordinator, and the Underwriters and any of their respective officers, advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made the application;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- undertake and agree to accept the Hong Kong Offer Shares applied for, or any less number allocated to you under the application;
- authorise our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated in your application (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your application that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person then you can collect them from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong between 9:00 a.m. and 1:00 p.m. on Monday, 12 December 2011;
- authorise our Company to despatch e-Auto Refund payment instructions to your application payment bank account if you have completed payment of the **HK eIPO**

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WHITE Form application monies from a single bank account; or authorise the Company to issue and despatch refund cheque(s) to the address given on the **HK eIPO WHITE Form** application if you have completed payment of the application monies from multi-bank accounts;

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus;
 - agree that our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to the prospectus;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
 - agree with our Company and each Shareholder that Shares are freely transferable by the holders thereof;
 - confirm that you are aware of the restrictions on the Hong Kong Offer Shares described in this prospectus;
 - understand that these declarations and representations will be relied upon by our Company, the Sole Sponsor and the Sole Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration; and
 - agree that the processing of your application, may be done by any of our Company's receiving banks and is not restricted to the bank at which your application was lodged.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:
- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

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- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allocated Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allocated Hong Kong Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) If you apply for the Hong Kong Offer Shares available for subscription by Eligible Employees using a **PINK** Application Form, in addition to the confirmations and agreements referred to in paragraph (a) above, you must:
- warrant that, in making an application, you are an Eligible Employee;
 - not made more than one application using a **PINK** Application Form.
- (d) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:
- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$1.60 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
 - instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;

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- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;
 - undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not applied for or taken up any offer shares under the placing nor otherwise participated in the placing;
 - (if the electronic application instructions are given for that person's own benefit) **declares** that only one set of electronic application instructions has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that it has given only one set of electronic application instructions for the benefit of that other person, and that it is duly authorized to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by the Company in deciding whether or not to make any allotment of shares in respect of the electronic application instructions given by that person and that person may be prosecuted if that person makes a false declaration;
 - **authorizes** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the shares allotted in respect of that person's electronic application instructions and to send share certificates and/or refund monies in accordance with arrangements separately agreed between the Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
 - **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's electronic application instructions or instructing that person's broker/custodian to give electronic application instructions on that person's behalf;
 - **agrees** that the Company, the Underwriters and any other parties involved in the share offer are liable only for the information and representations contained in this prospectus;

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- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the closing of the application lists under the Hong Kong Public Offer such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Hong Kong Offer Shares to any person before the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the closing of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by our Company; and
- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the **HK eIPO WHITE Form** Service Provider, you agree that your

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application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day after the closing of the application lists under the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO WHITE Form** Service Provider. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the closing of the application lists under the Hong Kong Public Offer (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of the Hong Kong Offer Shares is void:

Your allocation of the Hong Kong Offer Shares (and the allocation to HKSCC Nominees, as the case may be) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the application lists.

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(c) **If you make applications under the Hong Kong Public Offer as well as the International Placing:**

By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO WHITE Form** Service Provider, you agree not to apply for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer.

(d) **If our Company, the Sole Sponsor, the Sole Global Coordinator or the HK eIPO WHITE Form Service Provider or their respective agents or nominees exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) or the **HK eIPO WHITE Form** Service Provider (where applicable) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(e) **If:**

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);
- your **electronic application instructions** through the **HK eIPO WHITE Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.hkeipo.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares under the International Placing;
- your application is for more than 3,600,000 Hong Kong Offer Shares (being 50% of the 7,200,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering after deducting the 800,000 Hong Kong Offer Shares available for subscription by Eligible Employees using **PINK** Application Forms);
- you apply for more than 800,000 Hong Kong Offer Shares using a **PINK** Application Form;

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- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof or otherwise; or
- our Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the **HK eIPO WHITE Form** Service Provider or their respective agents believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

13. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price of the Hong Kong Offer Shares is HK\$1.60 each. You must also pay a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003%. The proposed board lot for trading in the Shares is 2,000 Shares. This means that for every 2,000 Hong Kong Offer Shares, you will pay HK\$3,232.26. The Application Forms have tables showing the exact amount payable for numbers of Hong Kong Offer Shares. The **PINK** Application Form has a table showing the exact amount payable for multiples of Shares applied for up to 800,000 Shares.

You must pay the maximum Offer Price, brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% in full when you apply for the Hong Kong Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK\$1.60 per Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed “Refund of your money — additional information” below.

14. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) If you are applying using a **WHITE** Application Form:

- Refund cheque(s) and Share certificate(s) for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares or apply for 1,000,000 or more Hong Kong Offer Shares and have not indicated on your Application Forms that you will collect Share certificate(s) and/or refund cheque(s) (where applicable) in person are expected to be despatched on Monday, 12 December 2011 to the same address as that for Share certificate(s), being the address specified in the relevant Application Form.
- Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated on their Application Forms that they wish to

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collect Share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Branch Share Registrar may collect share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 12 December 2011.

- Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's respective chops. Both individuals and authorised representatives (where applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.
 - Uncollected Share certificate(s) and refund cheque(s) (where applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms.
- (b) If: (i) you are applying on a **YELLOW** Application Form; or (ii) you are giving **electronic application instructions** to HKSCC, and in each case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), on Monday, 12 December 2011 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

The Company is expected to make available the results of the Hong Kong Public Offer, including the results of CCASS Investor Participants' applications, in the manner described above in the paragraph headed "Results of allocations" on Monday, 12 December 2011. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 12 December 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the

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Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

The Company is expected to make available the application results of the Hong Kong Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong business registration number or other identification code (as appropriate) in the manner described above in the paragraph headed "Results of allocations" on Monday, 12 December 2011. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 12 December 2011 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

You can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic application instruction to HKSCC:**

You can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 12 December 2011. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

(c) **If you are applying through HK eIPO WHITE Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO WHITE Form** service by submitting an electronic application to the designated **HK eIPO WHITE Form** Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) in

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person, at Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 12 December 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/ refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO WHITE Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO WHITE Form** Service Provider through the designated website at www.hkeipo.hk on Monday, 12 December 2011 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on or around Monday, 12 December 2011.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO WHITE Form** Service Provider on or around Monday, 12 December 2011, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO WHITE Form** Service Provider set out below in "Refund of your money — additional information."

- (d) If you apply using a **PINK** Application Form:

Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to our Company on your behalf on the date of despatch and our Company will arrange for onward despatch to you at the address specified in your Application Form on Monday, 12 December 2011 or as otherwise notified by you to our Company. Any despatch will be ordinary post and at your own risk.

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

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15. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of e-Auto Refund payment instructions/refund cheques will be retained for the benefit of the Company) if:
- your application is not successful, in which case the Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
 - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
 - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by you on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
 - the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Hong Kong Public Offer” under the section headed “Structure of the Global Offering” of this prospectus.
- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from the Hong Kong Branch Share Registrar on Monday, 12 December 2011. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” in this section.
- If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Monday, 12 December 2011, by ordinary post and at your own risk.
- (c) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Monday, 12 December 2011.

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- (d) If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO WHITE Form** Service Provider, the designated **HK eIPO WHITE Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO WHITE Form** Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in this section shall be made pursuant to the arrangements described above in “If your application for the Hong Kong Offer Shares is successful (in whole or in part) — If you are applying through **HK eIPO WHITE Form**.”

- (e) Refund cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.
- (f) e-Auto Refund payment instructions/refund cheques are expected to be despatched on or around Monday, 12 December 2011. Our Company intends to make special efforts to avoid undue delays in refunding money.

16. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong Branch Share Registrar in relation to personal data and the Ordinance.

(a) **Reasons for the collection of your personal data**

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong Branch Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch of e-Auto Refund payment instructions/refund cheque(s) to which you are entitled.

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It is important that holders of securities inform our Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Auto Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(c) **Transfer of personal data**

Personal data held by our Company and the Hong Kong Branch Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong Branch Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as our Company and the Hong Kong Branch Share Registrar consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company's appointed agents such as financial advisers, receiving bankers and its principal share registrar and the Hong Kong Branch Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong Branch Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **HK eIPO WHITE Form**, you agree to all of the above.

(d) **Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of the company secretary or (as the case may be) the Hong Kong Branch Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

17. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Tuesday, 13 December 2011.
- The Shares will be traded in board lots of 2,000 Shares.
- The stock code of the Shares is 6880.
- Any Share certificates in respect of Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

(b) Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS



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88 Queensway
Hong Kong

1 December 2011

The Directors
OTO Holdings Limited
BOCOM International (Asia) Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to OTO Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 March 2011 and the five months ended 31 August 2011 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 1 December 2011 (the “Prospectus”) issued in connection with the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 20 January 2011 under the name of OTO International Limited as an exempted company with limited liability under the Companies Law (2004 Revision), Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to written resolutions of its board of directors and shareholders dated 21 April 2011, the name of the Company was changed to “OTO Holdings Limited” which the Certificate of Incorporation on Change of Name was issued on 25 May 2011. Pursuant to a group reorganisation, as more fully explained in the paragraph headed “Group Reorganisation” in Appendix VI to the Prospectus (the “Group Reorganisation”), the Company became the holding company of the Group on 20 April 2011.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company					Principal activities
			As at 31 March			As at 31 August	At date of this report	
			2009	2010	2011	2011		
OTO (BVI) Investment Limited (“OTO BVI”) (formerly known as Eternal Bright Worldwide Limited)	British Virgin Islands (“BVI”) 7 January 2011	USD16,252	N/A	N/A	100%	100%	100%	Investment holding

Name of subsidiary (Note)	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				Principal activities	
			As at 31 March			At date of this report		
			2009	2010	2011	As at 31 August 2011		
OTO (HK) Investment Limited ("OTO (HK) Investment")	Hong Kong 17 February 2011	HKD1	N/A	N/A	100%	100%	100%	Investment holding
OTO Bodycare (H.K.) Limited ("OTO HK")	Hong Kong 14 November 1986	HKD1,000,000	100%	100%	100%	100%	100%	Sales of health and wellness products in Hong Kong
OTO International (Macau) Company Limited ("OTO Macau")	Macau 13 September 2005	MOP30,000	100%	100%	100%	100%	100%	Sales of health and wellness products in Macau
騰多商貿(上海)有限公司 Dainty (Shanghai) Co., Ltd.*# ("OTO Shanghai")	The People's Republic of China ("PRC") 25 March 2010	USD1,152,970	N/A	N/A	N/A	100%	100%	Sales of health and wellness products in PRC

Note: The Company holds OTO BVI directly and all other subsidiaries indirectly.

* The English name is for identification purpose only

The Group acquired OTO Shanghai on 29 June 2011, details of which are set out in note 32.

The financial year end date of the companies comprising the Group is 31 March except for OTO Macau and OTO Shanghai which is 31 December.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried on any business other than the transactions related to the Group Reorganisation.

No statutory financial statements were prepared for OTO BVI as it was incorporated in the BVI where there are no statutory audit requirements in its jurisdiction. No audited financial statements have been prepared for OTO (HK) Investment for the period from the date of its incorporation as it has not reached its first financial year end.

For the purpose of this report, we have, however, reviewed the relevant transactions of these companies since their respective dates of incorporation to 31 August 2011 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Prospectus.

The statutory financial statements of the Company's subsidiaries prepared in accordance with the relevant accounting principles and regulations of the respective jurisdictions for the Relevant Periods were audited by the statutory auditors as follows:

Name of subsidiary	Financial year	Name of auditor
OTO HK	Each of the two years ended 31 March 2010	William Y. L. Sung & Co. Certified Public Accountants
	Year ended 31 March 2011	Deloitte Touche Tohmatsu
OTO Macau	Each of the three years ended 31 December 2010	Leung Kam Chun & Co. Certified Public Accountants
OTO Shanghai	Period from 25 March 2010 (date of establishment) to 31 December 2010	上海勝章會計師事務所有限公司 Shanghai LSC Certified Public Accountants Co., Ltd.

No audited financial statements have been prepared for the five months ended 31 August 2011 as no such statutory requirement.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 March 2011 and 31 August 2011 and of the Group as at 31 March 2009, 2010, 2011 and 31 August 2011, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the five months ended 31 August 2010 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "31 August 2010 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 August 2010 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 31 August 2010 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 August 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 August 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Five months ended 31 August	
		2009	2010	2011	2010	2011
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
						(unaudited)
Revenue	7	144,229	289,283	209,402	85,063	99,902
Other income	8	2,064	3,102	4,700	1,923	2,230
Other gains and losses	9	(1,242)	1,783	1,185	454	2,193
Changes in inventories of finished goods		1,014	495	1,574	421	(210)
Finished goods purchased		(38,581)	(82,124)	(59,773)	(23,020)	(31,309)
Staff costs		(23,334)	(40,217)	(29,186)	(11,334)	(13,230)
Depreciation and amortisation expense		(2,977)	(1,491)	(1,465)	(652)	(568)
Finance costs	10	(568)	(600)	(404)	(194)	(140)
Other expenses		(64,176)	(88,737)	(81,999)	(31,819)	(43,894)
Profit before tax	11	16,429	81,494	44,034	20,842	14,974
Income tax expense	12	(1,133)	(12,355)	(6,855)	(3,480)	(3,528)
Profit for the year/period		<u>15,296</u>	<u>69,139</u>	<u>37,179</u>	<u>17,362</u>	<u>11,446</u>
Other comprehensive (expense) income:						
Fair value (loss) gain on available-for-sale investments		(87)	100	48	(13)	(60)
Exchange difference arising on translation		—	—	—	—	40
		<u>(87)</u>	<u>100</u>	<u>48</u>	<u>(13)</u>	<u>(20)</u>
Total comprehensive income for the year/period		<u>15,209</u>	<u>69,239</u>	<u>37,227</u>	<u>17,349</u>	<u>11,426</u>
Earnings per share	16					
Basic (HKD)		<u>0.07</u>	<u>0.32</u>	<u>0.17</u>	<u>0.08</u>	<u>0.05</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	The Group				The Company	
		At 31 March			At	At	At
		2009	2010	2011	31 August	31 March	31 August
		HKD'000	HKD'000	HKD'000	2011	2011	2011
Non-current assets							
Property, plant and equipment.....	17	7,253	6,494	5,540	5,188	—	—
Investment properties.....	18	3,340	4,770	6,050	6,280	—	—
Deferred tax assets.....	19	1,377	1,376	889	794	—	—
Deposit placed at an insurance company		566	888	1,602	1,964	—	—
Utility and other deposits paid.....		5,321	6,142	7,142	7,201	—	—
Investments at fair value through profit or loss.....	20	3,631	3,830	1,922	1,936	—	—
Investment in a subsidiary .	31	—	—	—	—	—	132,087
		<u>21,488</u>	<u>23,500</u>	<u>23,145</u>	<u>23,363</u>	<u>—</u>	<u>132,087</u>
Current assets							
Inventories.....	21	4,787	5,282	6,856	7,893	—	—
Investments at fair value through profit or loss.....	20	1,090	808	2,779	654	—	—
Available-for-sale investments.....	22	230	330	378	318	—	—
Trade and other receivables.....	23	9,322	15,940	17,067	23,604	1,500	2,340
Amounts due from related parties	24	838	860	1,440	150	—	—
Amount due from a director.....	24	532	—	995	9	—	—
Tax recoverable.....		—	—	3,182	3,008	—	—
Pledged bank deposits.....	25	4,395	6,403	6,406	6,408	—	—
Bank balances and cash	25	<u>29,331</u>	<u>107,838</u>	<u>108,233</u>	<u>134,425</u>	<u>—</u>	<u>—</u>
		50,525	137,461	147,336	176,469	1,500	2,340
Asset classified as held for sale	26	—	—	1,582	—	—	—
		<u>50,525</u>	<u>137,461</u>	<u>148,918</u>	<u>176,469</u>	<u>1,500</u>	<u>2,340</u>

	Notes	The Group			The Company		
		At 31 March			At	At	At
		2009	2010	2011	31 August	31 March	31 August
		HKD'000	HKD'000	HKD'000	2011	2011	2011
Current liabilities							
Trade and other payables ...	27	9,248	14,259	14,789	15,626	130	15
Amounts due to directors ...	24	3,176	3,151	2,827	2,827	—	—
Amounts due to related parties	24	1,201	1,542	2,490	1,391	215	215
Amounts due to subsidiaries.....	24	—	—	—	—	3,877	4,049
Amounts due to shareholders	24	241	241	223	223	—	—
Obligations under finance leases	28	97	90	—	—	—	—
Dividend payables.....		6,772	20,933	10,171	9,433	—	—
Tax payable		1,062	10,059	258	1,019	—	—
Bank borrowings.....	29	8,109	15,591	13,118	18,761	—	—
		<u>29,906</u>	<u>65,866</u>	<u>43,876</u>	<u>49,280</u>	<u>4,222</u>	<u>4,279</u>
Net current assets (liabilities)							
		<u>20,619</u>	<u>71,595</u>	<u>105,042</u>	<u>127,189</u>	<u>(2,722)</u>	<u>(1,939)</u>
Total assets less current liabilities.....							
		<u>42,107</u>	<u>95,095</u>	<u>128,187</u>	<u>150,552</u>	<u>(2,722)</u>	<u>130,148</u>
Capital and reserves							
Share capital.....	30	1,029	1,029	1,029	7,800	—	7,800
Reserves		40,853	93,931	127,158	142,752	(2,722)	122,348
		<u>41,882</u>	<u>94,960</u>	<u>128,187</u>	<u>150,552</u>	<u>(2,722)</u>	<u>130,148</u>
Non-current liability							
Obligations under finance leases	28	225	135	—	—	—	—
		<u>42,107</u>	<u>95,095</u>	<u>128,187</u>	<u>150,552</u>	<u>(2,722)</u>	<u>130,148</u>

STATEMENTS OF CHANGES IN EQUITY

THE GROUP

	Share capital	Share premium	Investment revaluation reserve	Translation reserve	Capital reserve	Retained profits	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 April 2008.....	1,029	—	(163)	—	—	26,729	27,595
Profit for the year	—	—	—	—	—	15,296	15,296
Other comprehensive expense for the year.....	—	—	(87)	—	—	—	(87)
Total comprehensive income for the year.....	—	—	(87)	—	—	15,296	15,209
Dividend recognised as distribution	—	—	—	—	—	(922)	(922)
At 31 March 2009	1,029	—	(250)	—	—	41,103	41,882
Profit for the year	—	—	—	—	—	69,139	69,139
Other comprehensive income for the year.....	—	—	100	—	—	—	100
Total comprehensive income for the year.....	—	—	100	—	—	69,139	69,239
Dividend recognised as distribution	—	—	—	—	—	(16,161)	(16,161)
At 31 March 2010	1,029	—	(150)	—	—	94,081	94,960
Profit for the year	—	—	—	—	—	37,179	37,179
Other comprehensive income for the year	—	—	48	—	—	—	48
Total comprehensive income for the year	—	—	48	—	—	37,179	37,227
Dividend recognised as distribution	—	—	—	—	—	(4,000)	(4,000)
At 31 March 2011	1,029	—	(102)	—	—	127,260	128,187
Profit for the period	—	—	—	—	—	11,446	11,446
Other comprehensive expense for the period	—	—	(60)	40	—	—	(20)
Total comprehensive income for the period	—	—	(60)	40	—	11,446	11,426

	Share capital	Share premium	Investment revaluation reserve	Translation reserve	Capital reserve	Retained profits	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Group reorganisation (note i).....	6,147	124,911	—	—	(131,058)	—	—
Issue of shares to Pre-IPO investors (note 30).....	624	7,704	—	—	—	—	8,328
Contribution from shareholders							
- deemed contribution (note 32).....	—	—	—	—	1,441	—	1,441
- capitalisation of loan from shareholder (note ii)	—	—	—	—	1,170	—	1,170
At 31 August 2011	<u>7,800</u>	<u>132,615</u>	<u>(162)</u>	<u>40</u>	<u>(128,447)</u>	<u>138,706</u>	<u>150,552</u>
<u>Unaudited</u>							
At 1 April 2010.....	<u>1,029</u>	<u>—</u>	<u>(150)</u>	<u>—</u>	<u>—</u>	<u>94,081</u>	<u>94,960</u>
Profit for the period	—	—	—	—	—	17,362	17,362
Other comprehensive expense for the period	—	—	(13)	—	—	—	(13)
Total comprehensive income for the period	—	—	(13)	—	—	17,362	17,349
At 31 August 2010 (unaudited).....	<u>1,029</u>	<u>—</u>	<u>(163)</u>	<u>—</u>	<u>—</u>	<u>111,443</u>	<u>112,309</u>

Notes:

- (i) Pursuant to the Group Reorganisation, OTO BVI acquired the entire equity interests of HKD1,000,000 and MOP 30,000 (equivalent to HKD29,000) in OTO HK and OTO Macau respectively from the Controlling Shareholders, as defined in note 1 to the Financial Information, by issuing and allotting 16,100 shares of OTO BVI at USD 1 each to Brilliant Summit Enterprise Limited (“BSEL”). The share transfer was completed on 13 April 2011.

On 20 April 2011, BSEL, the then shareholder of OTO BVI transferred its 100% equity interest in OTO BVI of USD16,252 (equivalent to HKD126,000) to the Company, for a consideration of USD920,000 (equivalent to HKD7,176,000). This transfer was accounted for as restructuring of companies under common control, using the principle of merger accounting as set out in note 1 to the Financial Information. The consideration was settled by issuing 91,999,998 ordinary shares of USD0.01 each of the Company to BSEL. The difference between the aggregate share capital of the subsidiaries acquired by the Company and the Company's investment cost in OTO BVI was recognised in capital reserve upon the Group Reorganisation.

- (ii) As mentioned in note 32, the Company through its subsidiary, OTO (HK) Investment, acquired OTO Shanghai at a consideration of USD150,000 (equivalent to approximately HKD1,170,000). The amount so paid was funded by a loan advanced from BSEL through OTO BVI to OTO (HK) Investment. The loan was then capitalised by the issue of 152 new shares of USD1 each in OTO BVI to BSEL, credited as fully paid.

THE COMPANY

	<u>Share capital</u>	<u>Share premium</u>	<u>Deficit</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Issued on incorporation.....	—	—	—	—
Loss and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>(2,722)</u>	<u>(2,722)</u>
At 31 March 2011	—	—	(2,722)	(2,722)
Issue of shares in exchange for issued share capital of OTO BVI	7,176	124,911	—	132,087
Issue of shares to Pre-IPO investors	624	7,704	—	8,328
Loss and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>(7,545)</u>	<u>(7,545)</u>
At 31 August 2011	<u><u>7,800</u></u>	<u><u>132,615</u></u>	<u><u>(10,267)</u></u>	<u><u>130,148</u></u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Note	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	16,429	81,494	44,034	20,842	14,974
Adjustments for:					
Impairment loss recognised					
on trade receivables	748	—	14	14	—
Reversal of impairment loss					
on trade receivables	—	—	(800)	—	—
Loss (gain) on fair value of					
investments at fair value					
through profit or loss	890	(372)	(63)	12	111
Depreciation of property,					
plant and equipment	2,977	1,491	1,465	652	568
Finance costs	568	600	404	194	140
Loss (gain) on fair value of					
investment properties	260	(1,430)	(1,280)	(500)	(230)
Gain on disposal of property,					
plant and equipment	(180)	—	—	—	(1,190)
Dividend income from					
investments in listed					
equity securities	(28)	(10)	(5)	(5)	(20)
Interest income	(109)	(116)	(282)	(100)	(118)
Operating cash flows before					
movements in working					
capital	21,555	81,657	43,487	21,109	14,235
(Increase) decrease in					
inventories	(1,014)	(495)	(1,574)	(422)	210
Decrease (increase) in trade					
and other receivables	885	(6,618)	(341)	(517)	(2,445)
Increase in amount due from a					
related party	—	—	(312)	—	(489)
(Decrease) increase in trade					
and other payables	(3,232)	5,011	530	(1,472)	(1,453)
Decrease (increase) in utility					
and other deposits paid	1,141	(821)	(1,000)	284	(59)
(Increase) decrease in					
investments at fair value					
through profit or loss	(4,483)	455	—	—	2,000

	Note	Year ended 31 March			Five months ended 31 August	
		2009	2010	2011	2010	2011
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
						(unaudited)
Increase (decrease) in amount due to a related party		257	341	948	1,085	(1,638)
Cash generated from operations.....		15,109	79,530	41,738	20,067	10,361
Hong Kong Profits Tax refunded (paid).....		5,073	(3,357)	(18,997)	(702)	(3,055)
Macau Complimentary Income Tax paid		(3)	—	(354)	—	—
NET CASH FROM OPERATING ACTIVITIES ...		20,179	76,173	22,387	19,365	7,306
INVESTING ACTIVITIES						
Advance to a director.....		(688)	(359)	(995)	(88)	—
Acquisition of a subsidiary	32	—	—	—	—	344
Repayment from a director.....		756	891	—	—	986
Dividend received from investments in listed equity securities		28	10	5	5	20
Interest received		109	116	282	100	118
Proceeds from disposal of property, plant and equipment, net		180	—	—	—	2,921
Additions of property, plant and equipment		(294)	(732)	(2,093)	(907)	(295)
Increase in deposit placed at an insurance company.....		(231)	(322)	(714)	(278)	(362)
Decrease (increase) in pledged bank deposits.....		3,991	(2,008)	(3)	(1)	(2)
Advance to related parties.....		(646)	(22)	(273)	(5)	(6)
Repayment from related parties		657	—	5	4	984
NET CASH FROM (USED IN) INVESTING ACTIVITIES		3,862	(2,426)	(3,786)	(1,170)	4,708

Note	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
FINANCING ACTIVITIES					
Dividend paid	—	(2,000)	(14,762)	(1,722)	(738)
Repayment of obligations					
under finance leases	(128)	(97)	(225)	(37)	—
Interest paid.....	(568)	(600)	(404)	(194)	(140)
(Repayment to) advance from					
directors	(26)	(25)	(324)	1	—
Repayment to shareholders.....	—	—	(18)	—	—
Loan from BSEL.....	—	—	—	—	1,170
Repayment to a related party ..	—	—	—	—	(125)
(Decrease) increase in trust					
receipt loans	(7,251)	4,683	(509)	645	6,482
New bank loans raised	—	6,000	—	—	—
Repayment of bank loans	(495)	(3,201)	(1,964)	(810)	(839)
Cash receipt from issuance of					
new shares.....	—	—	—	—	8,328
NET CASH (USED IN) FROM FINANCING ACTIVITIES ...	<u>(8,468)</u>	<u>4,760</u>	<u>(18,206)</u>	<u>(2,117)</u>	<u>14,138</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS.....					
	15,573	78,507	395	16,078	26,152
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD					
	<u>13,758</u>	<u>29,331</u>	<u>107,838</u>	<u>107,838</u>	<u>108,233</u>
Effect of foreign exchange rate changes	—	—	—	—	40
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash.....					
	<u>29,331</u>	<u>107,838</u>	<u>108,233</u>	<u>123,916</u>	<u>134,425</u>

NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 January 2011. The address of the registered office and principal place of business of the Company are disclosed in corporate information section in the Prospectus. Its parent and ultimate holding company is BSEL, which was incorporated in the BVI. The Company acts as an investment holding company. The principal activities of its subsidiaries are sales of health and wellness products. In preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the Group Reorganisation which include the following steps:

- (a) Prior to the Group Reorganisation, the business of the Group carried out by OTO HK and OTO Macau were under common control by the Company's controlling shareholders, Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun (the "Controlling Shareholders").
- (b) OTO BVI was incorporated in the BVI on 7 January 2011 without issued share capital. OTO BVI acquired the entire equity interests in OTO HK and OTO Macau from the Controlling Shareholders by issuing and allotting 16,100 shares of OTO BVI to BSEL. The share transfer was completed on 13 April 2011.
- (c) OTO (HK) Investment was incorporated in Hong Kong on 17 February 2011 and with an authorised share capital of HKD10,000 divided into 10,000 shares. One share having a par value of HKD1 was allotted and issued to OTO BVI at its face value on 17 February 2011.
- (d) OTO Shanghai was established on 25 March 2010 and engages in sales of health and wellness products in the PRC. The entire paid up capital of USD150,000 in OTO Shanghai were agreed to be transferred to OTO (HK) Investment at an aggregate consideration of USD150,000, which amount was payable by OTO (HK) Investment to each of the shareholders of OTO Shanghai, Messrs. Yip Chee Seng, Yep Gee Kuarn, Yip Chee Lai, Charlie and Yip Chee Way, David. The amount so paid was funded by a loan advanced from BSEL through OTO BVI to OTO (HK) Investment on 13 April 2011. Such transfer was completed on 29 June 2011 upon the Administration of Industry and Commerce of the Shanghai Municipality registering the above changes in the equity-holders of OTO Shanghai.

As directed by the Controlling Shareholders, the loan of USD150,000 advanced by BSEL to OTO BVI was settled by the issue of 152 new shares of USD1 each in OTO BVI to BSEL on 13 April 2011, credited as fully paid.

- (e) On 13 April 2011, in consideration of the Controlling Shareholders directing OTO BVI to issue to BSEL a total of 16,252 new shares of USD1 each in OTO BVI as mentioned in (b) and (d) above, BSEL issued to the Controlling Shareholders an aggregate of 16,252 new shares having a par value of USD1 each in the capital of BSEL, credited as fully paid.

- (f) Pursuant to a sales and purchase agreement dated 20 April 2011, the Company acquired the entire equity interests in OTO BVI by issuing and allotting 91,999,998 shares of USD0.01 each to BSEL. Thereafter, the Company has become the holding company of the Group since 20 April 2011.

The acquisition of equity interests in OTO HK and OTO Macau was a combination of businesses under common control. Accordingly, this part of the Group Reorganisation has been accounted for by applying the principle of merger accounting, as if the group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment where this is a shorter period. Acquisition of OTO Shanghai, which is not part of the reorganisation involving entities under common control, is accounted for using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 “Business Combinations”.

The Financial Information is presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards (“HKAS(s)”), Hong Kong Financial Reporting Standards (“HKFRS(s)”), amendments and interpretations (“HK(IFRIC)-Int”) (hereinafter collectively referred to as the “New HKFRSs”) which are effective for the Group’s accounting periods beginning on 1 April 2011. For the purpose of preparing the Financial Information of the Relevant Periods, the Group has consistently applied all the New HKFRSs throughout the Relevant Periods.

The Group has not early applied the following new and revised Standards, Amendments and Interpretation that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ³
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁴
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ³

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 July 2011

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that HKFRS 9 will be adopted in the financial statements for financial year ending 31 March 2014. The application of HKFRS 9 might affect the classification and measurement of the Group's available-for-sale investments but not on the Group's financial liabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model based on the presumption that the carrying amounts of the investment properties are to be recovered through sale.

The Group is in the process of making an assessment of the impact of the other new and revised Standards, Amendments and Interpretation upon initial application but is not yet in a position to state whether these new and revised Standards, Amendments and Interpretation would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value, and in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year/period (other than the reorganisation involving entities under common control) are included in the consolidated statement of comprehensive income from the effective date of acquisition, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combination under common control

The Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combinations

Acquisitions of businesses other than reorganisation involving entities under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Investment in a subsidiary

In the Company's statement of financial position, investment in a subsidiary is carried at cost less any impairment loss. The result of subsidiary is accounted for by the Company on the basis of dividends received and receivables.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value - the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled or the award credits expires.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation and amortisation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit placed at an insurance company, trade and other receivables, amounts due from a director and related parties, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at FVTPL

Financial assets at FVTPL represent securities held for trading purpose and debt securities with embedded derivatives not separated.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related parties, subsidiaries, directors and shareholders, dividend payables and bank borrowings) are measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company and the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to the state-managed retirement benefits schemes and the defined contribution retirement benefits plans are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial period, are discussed below.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 March 2009, 2010, 2011 and 31 August 2011 amounting to HKD9,322,000, HKD15,940,000, HKD17,067,000 and HKD23,604,000 respectively.

Estimated allowances for inventories

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve; additional allowances/reversal of allowances may be required. The carrying amount of inventories as at 31 March 2009, 2010, 2011 and 31 August 2011 amounting to HKD4,787,000, HKD5,282,000, HKD6,856,000 and HKD7,893,000 respectively.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market

conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statements of comprehensive income. The carrying amount of investment properties as at 31 March 2009, 2010, 2011 and 31 August 2011 amounting to HKD3,340,000, HKD4,770,000, HKD6,050,000 and HKD6,280,000 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Relevant Periods.

The capital structure of the Group consists of debt, which includes bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through payments of dividends, new share issues as well as issue of new debts or repayment of existing debts, if necessary.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	As at 31 March			As at
				31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Financial assets				
Loans and receivables (including cash and cash equivalents).....	44,064	131,569	133,086	163,008
Available-for-sale investments.....	230	330	378	318
FVTPL				
Held for trading.....	1,090	808	800	654
Designated as at FVTPL.....	3,631	3,830	3,901	1,936
	<u>49,015</u>	<u>136,537</u>	<u>138,165</u>	<u>165,916</u>
Financial liabilities				
Liabilities at amortised cost.....	<u>25,161</u>	<u>48,172</u>	<u>36,537</u>	<u>43,457</u>

THE COMPANY

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Financial liabilities				
Liabilities at amortised cost	—	—	4,222	4,279

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's foreign currency monetary assets are mainly bank balances and the Group's foreign currency monetary liabilities are mainly trade payables and amounts due to related companies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets				Liabilities			
	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	2009	2010	2011	2011	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
United States dollar ("USD") ...	1,547	2,745	2,799	4,965	6,324	13,345	13,419	20,730
HKD	3,641	8,874	13,234	11,067	—	—	—	—
Renminbi ("RMB")	124	100	10,124	10,453	—	—	—	—
Singapore dollar ("SGD")	—	—	2,618	13,412	2,264	1,542	2,274	636

Sensitivity analysis

As USD and MOP are pegged to HKD, the sensitivity analysis does not include USD denominated assets held by entity with HKD as its functional currency and HKD denominated assets held by entity with MOP as its functional currency as it is expected that there would be no material currency risk exposure.

The Group is mainly exposed to the currency risk of RMB and SGD against HKD.

The following table details the Group's sensitivity to a 10% increase or decrease in HKD against RMB and SGD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in profit after tax where HKD strengthen 10% against the foreign currency. For a 10% weakening of HKD against the foreign currency, there would be an equal and opposite impact on the profit after tax, and the balances below would be negative.

	RMB Impact				SGD Impact			
	Year ended 31 March			Five months ended 31 August	Year ended 31 March			Five months ended 31 August
	2009	2010	2011	2011	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
(Decrease) increase in profit after tax	<u>(10)</u>	<u>(8)</u>	<u>(845)</u>	<u>(873)</u>	<u>189</u>	<u>129</u>	<u>(29)</u>	<u>(1,067)</u>

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the Relevant Periods.

The Company's exposure to foreign currency risk is insignificant as the Company does not have any significant foreign currency denominated monetary assets and liabilities.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and variable-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors closely the interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Best Lending Rates arising from the Group's borrowings.

The Company's exposure to interest rate risk is insignificant as the Company does not have any significant interest bearing assets and liabilities.

Sensitivity analysis

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances since the impact to the Group's results for the Relevant Period is not significant.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period existed for the whole year/period. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the potential effect on the Group's profit after tax during the Relevant Periods is as follows:

	Year ended 31 March			Five months ended 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Decrease in profit after tax	34	65	55	33

If interest rates had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the profit after tax.

(iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities, equity-linked notes and investment funds.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to other price risk at the reporting date.

If the price of the respective investments has been 10% higher/lower:

- profit for the year/period would increase/decrease by HKD394,000, HKD387,000, HKD392,000 and HKD216,000 for the years ended 31 March 2009, 2010 and 2011 and five months ended 31 August 2011 respectively as a result of the changes in fair value of investments at fair value through profit or loss.
- investment revaluation reserve would increase/decrease by HKD23,000, HKD33,000, HKD38,000 and HKD32,000 for the years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2011 respectively as a result of the changes in fair value of available-for-sale investments.

(iv) Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties and a director, pledged bank deposits and bank balances.

The Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The credit risk on receivables from department stores and corporate customers are limited because all department stores and corporate customers have good repayment records.

The credit risk on amount due from a director and related parties are insignificant after considering the financial strength of these related entities.

The Group has concentration of credit risk as 82%, 57%, 54% and 47% of the total trade receivables represented amounts due from the Group's largest five trade debtors which mainly include department stores and wholesale customers as at 31 March 2009, 2010, 2011 and 31 August 2011 respectively.

In addition, the Group has concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

Other than those described above, the Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company's exposure to credit risk is insignificant as the Company does not have any significant receivables balances.

(v) *Liquidity risk*

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2009
	%	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2009						
Non-derivative financial liabilities						
Trade and other payables	—	5,610	52	—	5,662	5,662
Amount due to a related party	—	1,201	—	—	1,201	1,201
Amounts due to directors	—	3,176	—	—	3,176	3,176
Amounts due to shareholders	—	241	—	—	241	241
Dividend payables	—	6,772	—	—	6,772	6,772
Obligations under finance leases	4.55	34	80	266	380	322
Bank borrowings at variable interest rate (Note)	6.05	8,198	—	—	8,198	8,109
		<u>25,232</u>	<u>132</u>	<u>266</u>	<u>25,630</u>	<u>25,483</u>

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2010
	%	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2010						
Non-derivative financial liabilities						
Trade and other payables	—	6,714	—	—	6,714	6,714
Amount due to a related party	—	1,542	—	—	1,542	1,542
Amounts due to directors	—	3,151	—	—	3,151	3,151
Amounts due to shareholders	—	241	—	—	241	241
Dividend payables	—	20,933	—	—	20,933	20,933
Obligations under finance leases	4.50	26	80	160	266	225
Bank borrowings at variable interest rate (Note)	4.27	15,704	—	—	15,704	15,591
		<u>48,311</u>	<u>80</u>	<u>160</u>	<u>48,551</u>	<u>48,397</u>
	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2011
	%	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2011						
Non-derivative financial liabilities						
Trade and other payables	—	7,708	—	—	7,708	7,708
Amount due to a related party	—	2,490	—	—	2,490	2,490
Amounts due to directors	—	2,827	—	—	2,827	2,827
Amounts due to shareholders	—	223	—	—	223	223
Dividend payables	—	10,171	—	—	10,171	10,171
Bank borrowing at variable interest rate (Note)	4.18	13,188	—	—	13,188	13,118
		<u>36,607</u>	<u>—</u>	<u>—</u>	<u>36,607</u>	<u>36,537</u>

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.8.2011
	%	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 August 2011						
Non-derivative financial liabilities						
Trade and other payables	—	10,822	—	—	10,822	10,822
Amounts due to related parties	—	1,391	—	—	1,391	1,391
Amounts due to directors	—	2,827	—	—	2,827	2,827
Amounts due to shareholders	—	223	—	—	223	223
Dividend payables	—	9,433	—	—	9,433	9,433
Bank borrowing at variable interest rate (Note)	4.36	18,881	—	—	18,881	18,761
		<u>43,577</u>	<u>—</u>	<u>—</u>	<u>43,577</u>	<u>43,457</u>

Note: Bank loans with a repayment on demand clause are included in the 'Repayable on demand or less than 3 months' time band in the above maturity analysis. As at 31 March 2009, 2010, 2011 and 31 August 2011, the aggregate undiscounted principal amounts of these bank loans amounted to HKD2,244,000, HKD5,043,000, HKD3,079,000 and HKD2,240,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid by monthly instalments which will be wholly repayable in 2012 in accordance with the scheduled repayment dates set out in the loan agreements. On this basis, the aggregate principal and interest cash flows repayable in 'Repayable on demand or less than 3 months', '3 months to 1 year' and 'over 1 year' time bands as at 31 March 2009, 2010, 2011 and 31 August 2011 will amount to HKD6,070,000, HKD2,186,000 and Nil, HKD11,188,000, HKD1,582,000 and HKD3,172,000, HKD10,637,000, HKD1,582,000 and HKD1,062,000, HKD17,169,000, HKD1,582,000 and HKD183,000 respectively.

The Company is exposed to liquidity risk as the Company has a net current liability position as at 31 August 2011. The directors of the Company consider that the Company is able to mitigate the risk as the Company can control the repayment date of the amounts due to subsidiaries, which represent majority of liabilities outstanding as at 31 August 2011.

The Company's contractual maturity for its non-interest bearing other payables and amounts due to a related party/subsidiaries with total carrying amount of HKD4,222,000 and HKD4,279,000 as at 31 March 2011 and 31 August 2011 respectively are repayable on demand.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(c) Fair value

The fair value of financial assets and liabilities of the Group are determined as follows:

- The fair value of investments held for trading traded on active liquid market are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Fair value measurements recognised in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 March 2009			
	Level 1	Level 2	Level 3	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Investments at FVTPL	1,090	—	3,631	4,721
Available-for-sale investments.....	—	230	—	230
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 March 2010			
	Level 1	Level 2	Level 3	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Investments at FVTPL	808	—	3,830	4,638
Available-for-sale investments.....	—	330	—	330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	As at 31 March 2011			
	Level 1	Level 2	Level 3	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Investments at FVTPL	800	—	3,901	4,701
Available-for-sale investments.....	—	378	—	378
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 August 2011			
	Level 1	Level 2	Level 3	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Investments at FVTPL	654	—	1,936	2,590
Available-for-sale investments.....	—	318	—	318
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Fair values of equity linked notes are classified as Level 3 fair value measurements and the movements during the Relevant Periods represent gain or loss from changes in fair value which were recognised in profit or loss during the Relevant Periods.

There were no transfer between different levels during the Relevant Periods.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sale related taxes, during the Relevant Periods.

The operating segments of the Group represent the components of the Group whose operating results are regularly reviewed by the chief operating decision maker for the purposes of making decisions about resources allocation and assessment of performance. The chief operating decision maker comprises the executive directors of the Company who are also the key management personnel.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment is focused on revenue and operating results from each of the three geographical locations, Hong Kong, Macau and PRC. Segment information in PRC was presented for the five months ended 31 August 2011 upon acquisition of OTO Shanghai in June 2011.

No revenue from any single customer during the Relevant Periods contributed over 10% of the total revenue of the Group.

(a) Segment revenue and results

Year ended 31 March 2009

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Elimination</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue					
External sales	122,989	21,240	—	—	144,229
Inter-segment sales	<u>8,754</u>	—	—	(8,754)	—
	<u>131,743</u>	<u>21,240</u>	<u>—</u>	<u>(8,754)</u>	<u>144,229</u>
Segment profit	36,244	1,718	—	—	37,962
Unallocated administrative expense					(19,832)
Other gains and losses					(1,242)
Interest income					109
Finance costs					(568)
Profit before tax					16,429
Income tax expense					(1,133)
Profit for the year					<u>15,296</u>

Year ended 31 March 2010

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Elimination</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue					
External sales	260,478	28,805	—	—	289,283
Inter-segment sales	<u>8,925</u>	—	—	(8,925)	—
	<u>269,403</u>	<u>28,805</u>	<u>—</u>	<u>(8,925)</u>	<u>289,283</u>
Segment profit	94,167	6,900	—	—	101,067
Unallocated administrative expense					(20,872)
Other gains and losses					1,783
Interest income					116
Finance costs					(600)
Profit before tax					81,494
Income tax expense					(12,355)
Profit for the year					<u>69,139</u>

Year ended 31 March 2011

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Elimination</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue					
External sales	183,845	25,557	—	—	209,402
Inter-segment sales	<u>7,929</u>	<u>23</u>	<u>—</u>	<u>(7,952)</u>	<u>—</u>
	<u>191,774</u>	<u>25,580</u>	<u>—</u>	<u>(7,952)</u>	<u>209,402</u>
Segment profit	53,425	8,022			61,447
Unallocated administrative expense					(18,476)
Other gains and losses					1,185
Interest income					282
Finance costs					<u>(404)</u>
Profit before tax					44,034
Income tax expense					<u>(6,855)</u>
Profit for the year					<u>37,179</u>

Five months ended 31 August 2010 (unaudited)

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Elimination</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue					
External sales	74,197	10,866	—	—	85,063
Inter-segment sales	<u>3,375</u>	<u>—</u>	<u>—</u>	<u>(3,375)</u>	<u>—</u>
	<u>77,572</u>	<u>10,866</u>	<u>—</u>	<u>(3,375)</u>	<u>85,063</u>
Segment profit	24,908	3,257			28,165
Unallocated administrative expense					(7,683)
Other gains and losses					454
Interest income					100
Finance costs					<u>(194)</u>
Profit before tax					20,842
Income tax expense					<u>(3,480)</u>
Profit for the period					<u>17,362</u>

Five months ended 31 August 2011

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Elimination</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Revenue					
External sales	87,112	10,369	2,421	—	99,902
Inter-segment sales	<u>3,741</u>	<u>—</u>	<u>398</u>	<u>(4,139)</u>	<u>—</u>
	<u>90,853</u>	<u>10,369</u>	<u>2,819</u>	<u>(4,139)</u>	<u>99,902</u>
Segment profit	25,915	2,685	772		29,372
Unallocated administrative expense					(16,569)
Other gains and losses					2,193
Interest income					118
Finance costs					<u>(140)</u>
Profit before tax					14,974
Income tax expense					<u>(3,528)</u>
Profit for the period.....					<u>11,446</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the pre-tax gross profit generated from each segment net of staff costs, depreciation and amortisation expense, and other expenses directly attributable to each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Other information

Year ended 31 March 2009

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Impairment loss recognised on trade receivables.....	748	—	—	748
Depreciation and amortisation	2,631	346	—	2,977
Additions to property, plant and equipment	416	238	—	654
Gain on disposal of property, plant and equipment	<u>180</u>	<u>—</u>	<u>—</u>	<u>180</u>

Year ended 31 March 2010

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Depreciation and amortisation	1,122	369	—	1,491
Additions to property, plant and equipment	<u>705</u>	<u>27</u>	<u>—</u>	<u>732</u>

Year ended 31 March 2011

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Impairment loss recognised on trade receivables	14	—	—	14
Reversal of impairment loss on trade receivables	(800)	—	—	(800)
Depreciation and amortisation	1,234	231	—	1,465
Additions to property, plant and equipment	<u>2,091</u>	<u>2</u>	<u>—</u>	<u>2,093</u>

Five months ended 31 August 2010 (unaudited)

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Impairment loss recognised on trade receivables	14	—	—	14
Depreciation and amortisation	500	152	—	652
Additions to property, plant and equipment	<u>905</u>	<u>2</u>	<u>—</u>	<u>907</u>

Five months ended 31 August 2011

	<u>Hong Kong</u>	<u>Macau</u>	<u>PRC</u>	<u>Consolidated</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Depreciation and amortisation	532	32	4	568
Additions to property, plant and equipment	58	—	237	295
Gain on disposal of property, plant and equipment	<u>1,190</u>	<u>—</u>	<u>—</u>	<u>1,190</u>

(c) Geographical information

The following table sets out information about the geographical location of the Group's non-current assets other than financial instruments and deferred tax assets.

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Hong Kong.....	15,069	16,901	18,456	18,122
Macau	845	505	276	244
PRC	—	—	—	303
Total assets	<u>15,914</u>	<u>17,406</u>	<u>18,732</u>	<u>18,669</u>

(d) Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are reported to the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

8. OTHER INCOME

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Repair income.....	1,007	1,280	1,418	524	583
Delivery income.....	348	1,006	1,821	557	669
Bank interest income	109	116	282	100	118
Warranty income.....	24	57	7	1	5
Rental income.....	19	—	156	65	65
Other service income	310	200	180	17	500
Dividend income from investments in listed equity securities (note 20)	28	10	5	5	20
Compensation income	—	—	579	579	—
Sundry income.....	219	433	252	75	270
	<u>2,064</u>	<u>3,102</u>	<u>4,700</u>	<u>1,923</u>	<u>2,230</u>

9. OTHER GAINS AND LOSSES

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Gain on disposal of property, plant and equipment	180	—	—	—	1,190
(Loss) gain from changes in fair value of investments at FVTPL...	(890)	372	63	(12)	(111)
(Loss) gain from changes in fair value of investment properties	(260)	1,430	1,280	500	230
Net exchange (loss) gain	(272)	(19)	(158)	(34)	884
	<u>(1,242)</u>	<u>1,783</u>	<u>1,185</u>	<u>454</u>	<u>2,193</u>

10. FINANCE COSTS

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Interest on:					
Bank borrowings wholly repayable within five years	554	583	374	194	140
Finance leases	14	17	30	—	—
	<u>568</u>	<u>600</u>	<u>404</u>	<u>194</u>	<u>140</u>

11. PROFIT BEFORE TAX

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Profit before tax has been arrived at after charging (crediting):					
Auditors' remuneration	212	236	200	3	27
Impairment loss recognised on trade receivables.....	748	—	14	14	—
Reversal of impairment loss on trade receivables	—	—	(800)	—	—
Cost of inventories recognised as an expense.....	37,567	81,629	58,199	22,599	31,519
Staff retirement benefit costs (excluding directors' retirement benefit scheme contribution).....	804	1,049	1,050	420	462
Initial public offering related expenses (included in other expenses).....	—	—	2,691	—	7,529
Operating lease payments in respect of rented premises (included in other expenses)					
- Minimum lease payments	22,109	25,878	24,153	10,408	10,975
- Contingent rent	<u>18,450</u>	<u>31,437</u>	<u>22,826</u>	<u>9,561</u>	<u>10,129</u>

12. INCOME TAX EXPENSE

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Current tax:					
Hong Kong Profits Tax	1,324	12,354	5,756	2,667	3,188
Macau Complimentary Income Tax	<u>3</u>	<u>—</u>	<u>258</u>	<u>304</u>	<u>245</u>
	1,327	12,354	6,014	2,971	3,433
Underprovision for Macau Complimentary Income Tax in prior year	—	—	354	354	—
Deferred tax (note 19)	<u>(194)</u>	<u>1</u>	<u>487</u>	<u>155</u>	<u>95</u>
	<u>1,133</u>	<u>12,355</u>	<u>6,855</u>	<u>3,480</u>	<u>3,528</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Relevant Periods.

The Macau Complimentary Income Tax is calculated progressively at rates ranging from 3% to 12% of the estimated assessable profit exceeding MOP200,000 for the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax, the tax rate of the PRC subsidiary is 25%.

The income tax expense for the year/period can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Profit before tax	<u>16,429</u>	<u>81,494</u>	<u>44,034</u>	<u>20,842</u>	<u>14,974</u>
Tax at Hong Kong Profits					
Tax rate of 16.5%	2,711	13,447	7,266	3,439	2,471
Tax effect of income not taxable for tax purpose	(116)	(531)	(344)	(175)	(41)
Tax effect of expenses not deductible for tax purpose	166	111	495	16	1,266
Tax effect of utilisation of tax loss previously not recognised	(1,540)	—	—	—	—
Tax effect on change in tax rate.....	68	—	—	—	—
Tax effect on tax exemption.	(33)	(33)	(33)	(32)	(23)
Tax effect on different tax rate of operations in other jurisdictions	(5)	9	(107)	(101)	(83)
Tax effect on income tax credit.....	(152)	(687)	(660)	—	—
Underprovision of taxation in prior year	—	—	354	354	—
Others.....	<u>34</u>	<u>39</u>	<u>(116)</u>	<u>(21)</u>	<u>(62)</u>
Income tax expense for the year/period	<u>1,133</u>	<u>12,355</u>	<u>6,855</u>	<u>3,480</u>	<u>3,528</u>

13. DIRECTORS' EMOLUMENTS

The amount of directors' emoluments paid and payable by the Group during the Relevant Periods is set out below:

Year ended 31 March 2009					
	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contribution	Total emoluments
	HKD'000	HKD'000	(Note 1) HKD'000	HKD'000	HKD'000
Mr. Yip Chee Lai, Charlie....	—	573	1,834	12	2,419
Mr. Yip Chee Seng.....	—	—	—	—	—
Mr. Yep Gee Kuarn	—	—	—	—	—
Mr. Yip Chee Way, David	—	—	—	—	—
	<u>—</u>	<u>573</u>	<u>1,834</u>	<u>12</u>	<u>2,419</u>
Year ended 31 March 2010					
	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contribution	Total emoluments
	HKD'000	HKD'000	(Note 1) HKD'000	HKD'000	HKD'000
Mr. Yip Chee Lai, Charlie....	—	1,785	4,744	12	6,541
Mr. Yip Chee Seng.....	—	—	—	—	—
Mr. Yep Gee Kuarn	—	—	—	—	—
Mr. Yip Chee Way, David	—	—	—	—	—
	<u>—</u>	<u>1,785</u>	<u>4,744</u>	<u>12</u>	<u>6,541</u>
Year ended 31 March 2011					
	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contribution	Total emoluments
	HKD'000	HKD'000	(Note 1) HKD'000	HKD'000	HKD'000
Mr. Yip Chee Lai, Charlie....	—	486	2,878	12	3,376
Mr. Yip Chee Seng.....	—	—	—	—	—
Mr. Yep Gee Kuarn	—	—	—	—	—
Mr. Yip Chee Way, David	—	—	—	—	—
	<u>—</u>	<u>486</u>	<u>2,878</u>	<u>12</u>	<u>3,376</u>

Five months ended 31 August 2010 (unaudited)

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contribution	Total emoluments
	HKD'000	HKD'000	(Note 1) HKD'000	HKD'000	HKD'000
Mr. Yip Chee Lai, Charlie....	—	124	844	6	974
Mr. Yip Chee Seng.....	—	—	—	—	—
Mr. Yep Gee Kuarn.....	—	—	—	—	—
Mr. Yip Chee Way, David	—	—	—	—	—
	—	124	844	6	974

Five months ended 31 August 2011

	Fee	Salary and other benefits	Performance related incentive payments	Retirement benefits scheme contribution	Total emoluments
	HKD'000	HKD'000	(Note 1) HKD'000	HKD'000	HKD'000
Mr. Yip Chee Lai, Charlie....	—	287	1,183	5	1,475
Mr. Yip Chee Seng.....	—	226	—	3	229
Mr. Yep Gee Kuarn.....	—	—	—	—	—
Mr. Yip Chee Way, David	—	361	48	21	430
	—	874	1,231	29	2,134

Note 1: The performance related incentive payments are determined as a percentage of the Group's turnover during the Relevant Periods.

No directors' emoluments were paid or payable by the Group to Mr. Yip Chee Seng and Mr. Yip Chee Way, David during the years ended 31 March 2009, 2010 and 2011 and Mr. Yep Gee Kuarn during the Relevant Periods as they are also directors of some related companies of the Group and the remuneration of these directors was mainly borne by a related company, OTO Bodycare Pte. Ltd. ("OTO Singapore"), which was incorporated in Singapore principally engaged in the retail sale of health and wellness products in Singapore. It is not practicable to allocate the director's entitlements among the services to individual companies. The relevant directors are of the opinion that the services provided to the Group only occupy an insignificant amount of their time as they mainly involve in strategy formulation and overall direction of the Group during the relevant period/year and therefore it is concluded that they are not remunerated.

Three independent non-executive directors, Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang, were appointed by the Company on 25 November 2011. No remuneration has been paid or is payable by the Group to them during the Relevant Periods.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one was the director of the Company during the years ended 31 March 2009, 2010 and 2011 and five months ended 31 August 2010 and three were directors of the Company during the five months ended 31 August 2011, whose emoluments are included in note 13 above. The emoluments of remaining four/two individuals during the relevant year/period are as follows:

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Salary and other benefits	244	246	256	125	54
Performance related bonus ...	1,332	3,177	1,323	594	323
Retirement benefits scheme contribution	46	47	46	19	10
Total emoluments	<u>1,622</u>	<u>3,470</u>	<u>1,625</u>	<u>738</u>	<u>387</u>

Their emoluments were within the following bands:

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
Less than HKD1,000,000	4	3	4	4	2
HKD1,000,001 to HKD1,500,000	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

15. DIVIDEND

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Dividend recognised as distribution during the Relevant Periods	<u>922</u>	<u>16,161</u>	<u>4,000</u>	<u>—</u>	<u>—</u>

During the year ended 31 March 2009, OTO Macau declared dividend of MOP950,000 to its then shareholders.

During the year ended 31 March 2010, OTO Macau and OTO HK declared dividend of MOP4,286,000 and HKD12,000,000 respectively to their then shareholders.

During the year ended 31 March 2011, OTO Macau declared dividend of MOP4,120,000 to its then shareholders.

The rates of dividend declared and the number of shares ranking for distribution are not presented as such information is not meaningful having regard to the purpose of this report.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the consolidated profit attributable to the owners of the Company and the weighted average number of approximately 218,735,000 shares outstanding during the three years ended 31 March 2009, 2010 and 2011 and the five months ended 31 August 2010 and 236,701,000 shares outstanding during the five months ended 31 August 2011 on the assumption that the Group Reorganisation and the capitalisation issue as detailed in the paragraph headed “Further information about our Company and our subsidiaries — 3. Resolutions in writing of all Shareholders passed on 25 November 2011” in Appendix VI to the Prospectus have been effective on 1 April 2008, adjusted for the number of shares of OTO BVI issued for the purpose of settling the loan from BSEL in relation to the acquisition of OTO Shanghai as detailed in note 1. The weighted average number of 236,701,000 shares outstanding during the five months ended 31 August 2011 has taken into account of the shares issued to Pre-IPO investors on 26 April 2011.

No dilutive earnings per share is presented as there were no potential dilutive shares during the Relevant Periods.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold land	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
COST						
At 1 April 2008	1,368	5,795	7,935	1,105	8,994	25,197
Additions	—	—	72	392	190	654
Disposals	—	—	—	(280)	—	(280)
At 31 March 2009.....	1,368	5,795	8,007	1,217	9,184	25,571
Additions	—	—	152	—	580	732
At 31 March 2010.....	1,368	5,795	8,159	1,217	9,764	26,303
Additions	—	—	126	—	1,967	2,093
Reclassified as held for sale	(277)	(1,545)	—	—	—	(1,822)
At 31 March 2011.....	1,091	4,250	8,285	1,217	11,731	26,574
Additions	—	—	272	—	23	295
Acquisition of a subsidiary	—	—	70	—	—	70
Disposals	—	—	(6)	—	(549)	(555)
At 31 August 2011.....	1,091	4,250	8,621	1,217	11,205	26,384
DEPRECIATION AND AMORTISATION						
At 1 April 2008	742	1,254	7,153	1,006	5,466	15,621
Provided for the year	55	96	545	157	2,124	2,977
Eliminated on disposals	—	—	—	(280)	—	(280)
At 31 March 2009.....	797	1,350	7,698	883	7,590	18,318
Provided for the year	55	96	170	160	1,010	1,491
At 31 March 2010.....	852	1,446	7,868	1,043	8,600	19,809
Provided for the year	55	96	139	131	1,044	1,465
Reclassified as held for sale	(208)	(32)	—	—	—	(240)
At 31 March 2011.....	699	1,510	8,007	1,174	9,644	21,034
Provided for the period	18	39	56	43	412	568
Eliminated on disposals	—	—	(6)	—	(400)	(406)
At 31 August 2011.....	717	1,549	8,057	1,217	9,656	21,196
CARRYING VALUES						
At 31 March 2009.....	571	4,445	309	334	1,594	7,253
At 31 March 2010.....	516	4,349	291	174	1,164	6,494
At 31 March 2011.....	392	2,740	278	43	2,087	5,540
At 31 August 2011.....	374	2,701	564	—	1,549	5,188

The above items of property, plant and equipment are depreciated and amortised on a straight-line basis at the following rates per annum:

	<u>Depreciation rate</u>
Buildings	4%
Leasehold land.....	2%
Furniture, fixtures and equipment.....	20% - 33%
Motor vehicles	33%
Leasehold improvements	Over the shorter of the term of the lease or 3 years

The leasehold land represents land in Hong Kong under long lease.

The carrying value of motor vehicles held under finance leases as at 31 March 2009 and 2010 were HKD305,000 and HKD174,000 respectively.

18. INVESTMENT PROPERTIES

	<u>HKD'000</u>
FAIR VALUE	
At 1 April 2008	3,600
Decrease in fair value	<u>(260)</u>
At 31 March 2009.....	3,340
Increase in fair value	<u>1,430</u>
At 31 March 2010.....	4,770
Increase in fair value	<u>1,280</u>
At 31 March 2011.....	6,050
Increase in fair value	<u>230</u>
At 31 August 2011	<u><u>6,280</u></u>

The fair value of the Group's investment properties at 31 March 2009 and 2010 have been arrived at on the basis of a valuation carried out on respective dates by Larry H.C. Tam & Associates Ltd. and at 31 March 2011 and 31 August 2011 by Jones Lang LaSalle Sallmanns Limited, both are independent qualified professional valuers not connected with the Group. The valuation report on these properties was signed by directors of Larry H.C Tam & Associates Ltd and Jones Lang LaSalle Sallmanns Limited who are members of the Hong Kong Institute of Surveyors. The valuation of the properties as at 31 March 2009, 2010 and 2011 and 31 August 2011 was arrived at using market transaction model by reference to market evidence of transaction prices for similar properties.

The addresses of Larry H.C. Tam & Associates Ltd. and Jones Lang LaSalle Sallmanns Limited are Suite 601, 6th Floor, 625 King's Road, North Point, Hong Kong and 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong respectively.

The investment properties shown above are situated on land in Hong Kong under long lease.

19. DEFERRED TAX ASSETS

The following are the deferred tax assets (liabilities) recognised by the Group and movements thereon during the Relevant Periods.

	Depreciation in excess of tax allowance on property, plant and equipment	Allowance for doubtful debts	Revaluation of investment properties	Fair value adjustments on customer loyalty programmes	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 April 2008	963	140	80	—	1,183
Credit to profit or loss	219	—	43	—	262
Effect of change in tax rate charged to profit or loss ..	(55)	(8)	(5)	—	(68)
At 31 March 2009.....	1,127	132	118	—	1,377
(Charge) credit to profit or loss	(25)	—	(236)	260	(1)
As at 31 March 2010	1,102	132	(118)	260	1,376
Charge to profit or loss.....	(71)	(132)	(211)	(73)	(487)
As at 31 March 2011	1,031	—	(329)	187	889
(Charge) credit to profit or loss	(63)	—	(36)	4	(95)
As at 31 August 2011	<u>968</u>	<u>—</u>	<u>(365)</u>	<u>191</u>	<u>794</u>

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Equity securities listed in Hong Kong (note i)	1,090	808	800	654
Equity-linked notes (note ii)	<u>3,631</u>	<u>3,830</u>	<u>3,901</u>	<u>1,936</u>
	<u>4,721</u>	<u>4,638</u>	<u>4,701</u>	<u>2,590</u>
Analysed for the reporting purpose as:				
Current assets	1,090	808	2,779	654
Non-current assets	<u>3,631</u>	<u>3,830</u>	<u>1,922</u>	<u>1,936</u>
	<u>4,721</u>	<u>4,638</u>	<u>4,701</u>	<u>2,590</u>

Notes:

- (i) The equity securities are held for trading purpose.
- (ii) The amounts mainly represent two unlisted equity-linked notes of aggregate principal amount of HKD2,000,000 and HKD1,976,000 which mature on 31 May 2011 and 4 September 2012 respectively.

The equity-linked note matured on 31 May 2011 entitled the Group to a fixed first coupon payment at 0.375% and subsequent coupon payments calculated from a predetermined formula which linked to the market prices of four underlying listed securities in Hong Kong. The Group received cash of HKD2,000,000 upon redemption of the equity-linked note on 31 May 2011.

The equity-linked note with maturity date on 4 September 2012 entitles the Group to receive the principal plus an additional payment, if any, on mature date. The additional payment is calculated from a predetermined formula which is linked to the market price of an underlying listed security in Hong Kong.

Both notes are subject to the option of early termination at the discretion of holders. The equity linked notes, which contain a host debt contract and an embedded derivative, are designated as financial assets at fair value through profit or loss and are measured at fair value at the end of each reporting period.

The fair value of the equity-linked notes which are outstanding at reporting dates are determined based on price quoted by the banks, also the issuers. Key assumptions include prices of underlying shares and market interest rate.

21. INVENTORIES

All inventories represent finished goods held for resales.

22. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 March			As at
				31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Unlisted investment funds	<u>230</u>	<u>330</u>	<u>378</u>	<u>318</u>

The investment funds are redeemable at the holder's discretion and its fair value are determined based on the fair value of the underlying net assets. The funds mainly invest in quoted shares of companies listed in Hong Kong.

23. TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	As at 31 March			As at	As at	As at
	2009	2010	2011	31 August	31 March	31 August
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Trade receivables	7,764	15,154	14,155	18,783	—	—
Less: allowance for doubtful debts.....	<u>(800)</u>	<u>(800)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>6,964</u>	<u>14,354</u>	<u>14,155</u>	<u>18,783</u>	<u>—</u>	<u>—</u>
Bills receivable	—	—	—	667	—	—
Prepayments.....	920	360	2,657	3,302	1,500	2,340
Temporary advances.....	1,320	1,086	28	—	—	—
Other receivables and deposits	<u>118</u>	<u>140</u>	<u>227</u>	<u>852</u>	<u>—</u>	<u>—</u>
	<u>2,358</u>	<u>1,586</u>	<u>2,912</u>	<u>4,821</u>	<u>1,500</u>	<u>2,340</u>
	<u>9,322</u>	<u>15,940</u>	<u>17,067</u>	<u>23,604</u>	<u>1,500</u>	<u>2,340</u>

The management expects that other receivables would be realised within twelve months after the end of respective reporting periods.

Retail sales are normally settled in cash or by credit card with the settlement from the corresponding financial institutions within 14 days. Receivables from retail sales in department stores are collected within three months. The Group granted an average credit period from 30 days to 90 days to the corporate customers.

The following is an aged analysis of trade receivables, net of allowance of doubtful debts, presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at
				31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
0 - 30 days	6,633	9,714	6,425	9,496
31 - 60 days	286	3,495	2,868	4,094
61 - 90 days	—	883	1,462	1,724
Over 90 days	45	262	3,400	3,469
	<u>6,964</u>	<u>14,354</u>	<u>14,155</u>	<u>18,783</u>

All bills receivable is aged within 30 days.

Before accepting any new corporate customer, the Group assesses the potential corporate customer's credit quality and defines credit limits for corporate customer. Credit limits granted to corporate customers are reviewed annually.

As at 31 March 2009, 2010, 2011 and 31 August 2011, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HKD582,000, HKD2,160,000, HKD6,357,000 and HKD6,444,000 respectively which are past due as at respective reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

Aging of trade receivables (by invoice date) which are past due but not impaired

	As at 31 March			As at
				31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
0 - 30 days	251	353	292	243
31 - 60 days	286	1,025	1,641	1,640
61 - 90 days	—	520	1,024	1,092
Over 90 days	45	262	3,400	3,469
Total	<u>582</u>	<u>2,160</u>	<u>6,357</u>	<u>6,444</u>

Movement in the allowance for doubtful debts

	As at 31 March			As at
	2009	2010	2011	31 August
	HKD'000	HKD'000	HKD'000	2011
Balance at beginning of the year/period ...	800	800	800	—
Impairment loss recognised on trade receivables	748	—	14	—
Amounts written off as uncollectible.....	(748)	—	(14)	—
Reversal of impairment loss on trade receivables	—	—	(800)	—
Balance at end of the year/period.....	<u>800</u>	<u>800</u>	<u>—</u>	<u>—</u>

At 31 March 2009 and 2010, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HKD800,000. The Group did not hold any collateral over these balances. The amount was reversed in 2011 upon the settlement of the previously impaired trade receivables.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

24. AMOUNTS DUE FROM/TO DIRECTORS/RELATED PARTIES/SHAREHOLDERS/SUBSIDIARIES**THE GROUP**

Except for the amount due from OTO Shanghai of HKD312,000 at 31 March 2011 is trade nature and repayable within 30 days, the amounts due from a director and related parties are unsecured, interest-free and repayable on demand. No collateral is held over these balances by the Group.

The amounts due to directors and shareholders are unsecured, interest-free and repayable on demand.

Amounts due from a director/related parties which are non-trade nature, disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Notes	Maximum balances outstanding									
	1 April	At 31 March				At 31 August	Year ended 31 March			Five months ended 31 August
	2008	2009	2010	2011	2011	2009	2010	2011	2011	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
Amount due from a director										
Mr. Yip Chee Lai, Charlie	600	532	—	995	9	1,149	1,018	995	995	
Amounts due from related parties										
OTO Bodycare Sdn.Bhd. ("OTO Malaysia")	(i)	714	714	714	804	5	714	714	804	804
OTO International (H.K.) Company Limited	(ii)	135	118	138	139	145	619	138	139	145
OTO Advertising Agency Co.....	(iii)	—	6	8	9	—	6	8	9	9
OTO Shanghai.....	(iv)	—	—	—	176	—	—	—	176	513
		<u>849</u>	<u>838</u>	<u>860</u>	<u>1,128</u>	<u>150</u>				

Amounts due to related parties:

Notes	As at 31 March			As at 31 August	
	2009	2010	2011	2011	
	HKD'000	HKD'000	HKD'000	HKD'000	
OTO Singapore	(v)	1,201	1,542	2,490	852
Close family member of a director.....	(vi)	—	—	—	539
		<u>1,201</u>	<u>1,542</u>	<u>2,490</u>	<u>1,391</u>

Notes:

- (i) Mr. Yip Gee Kuarn and Mr. Yip Chee Seng are the directors and major shareholders of OTO Malaysia.
- (ii) The Controlling Shareholders and Mr. Yip Chee Seng, Mr. Yip Gee Kuarn and Mr. Yip Chee Lai, Charlie are the shareholders and the directors of this company respectively. The company was engaged in general trading and investment. It was deregistered in November 2011.
- (iii) Mr. Yip Chee Lai, Charlie is the beneficial owner of this company. The company was an advertising agent and deregistered in March 2011.

- (iv) Mr. Yip Chee Seng, Mr. Yep Gee Kuarn and Mr. Yip Chee Way, David are the directors and the then shareholders of OTO Shanghai.
- (v) The Controlling Shareholders, except for Mr. Yip Chee Lai, Charlie, are the shareholders and Mr. Yip Chee Seng and Mr. Yep Gee Kuarn are the directors of OTO Singapore. The amounts are trade nature and repayable within 30 days.
- (vi) The balance, represents amount due to Mr. Yip Chan Yong who is the son of Mr. Yip Chee Seng, is unsecured, interest-free and repayable on demand.

The amounts had been settled prior to the issue of this report.

THE COMPANY

The amounts due to a related company and subsidiaries are unsecured, interest-free and repayable on demand.

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry variable interest rates ranging from 0.02% to 2.65%, 0.02% to 0.7%, 0.02% to 0.7% and 0.01% to 0.83% per annum as at 31 March 2009, 2010, 2011 and 31 August 2011 respectively.

Deposits amounting to HKD4,395,000, HKD6,403,000, HKD6,406,000 and HKD6,408,000 as at 31 March 2009, 2010, 2011 and 31 August 2011 respectively have been pledged to secure short term bank loans and trust receipt loans and therefore classified as current assets.

Bank balances carry floating average market interest rate of 0.12%, 0.25%, 0.23% and 0.11% per annum as at 31 March 2009, 2010, 2011 and 31 August 2011 respectively.

26. ASSET CLASSIFIED AS HELD FOR SALE

On 30 March 2011, the Group entered into a provisional sale and purchase agreement with a director, pursuant to which the Group would dispose of a land and building to the director of the Company at a consideration of HKD2,950,000.

As at 31 March 2011, the land and building, which was expected to be sold within twelve months, was classified as "asset classified as held for sale". The transaction was completed on 31 May 2011 and a gain on disposal of HKD1,289,000 is recognised in other gains and losses for the five months ended 31 August 2011.

27. TRADE AND OTHER PAYABLES

	The Group			The Company		
	As at 31 March			As at 31 August	As at 31 March	As at 31 August
	2009	2010	2011	2011	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables	1,877	3,144	3,483	5,781	—	—
Other payables and accruals:						
Receipts in advance						
(Note i)	1,862	1,938	2,716	2,867	—	—
Accruals (Note ii)	3,085	5,767	5,276	4,190	130	15
Others (Note iii)	2,424	3,410	3,314	2,788	—	—
	7,371	11,115	11,306	9,845	130	15
	9,248	14,259	14,789	15,626	130	15

Notes:

- (i) Receipts in advance represents amounts received in advance from customers prior to sales of products.
- (ii) Accruals mainly represents accrued salary and provision for annual leave.
- (iii) As at 31 March 2009, 2010 and 2011 and 31 August 2011, amount of nil, HKD1,653,000 and HKD1,169,000 and HKD1,034,000, respectively, included in others was deferred revenue in relation to customer loyalty programmes.

The following is an aged analysis of accounts payable presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables:				
0 - 30 days	1,826	3,144	3,214	5,002
31 - 60 days	51	—	269	158
61 - 90 days	—	—	—	147
Over 90 days	—	—	—	474
	1,877	3,144	3,483	5,781

The average credit period for trade purchases ranges from 0 to 60 days.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 31 August	As at 31 March			As at 31 August
	2009	2010	2011	2011	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Amounts payable under finance leases:								
Within one year	114	106	—	—	97	90	—	—
In more than one year but not more than two years	106	160	—	—	90	135	—	—
In more than two years but not more than five years	160	—	—	—	135	—	—	—
	380	266	—	—	322	225	—	—
Less: Future finance charges..	(58)	(41)	—	—	N/A	N/A	N/A	N/A
Present value of lease obligations	<u>322</u>	<u>225</u>	<u>—</u>	<u>—</u>	322	225	—	—
Less: Amount due within one year shown under current liabilities					(97)	(90)	—	—
					<u>225</u>	<u>135</u>	<u>—</u>	<u>—</u>

The Group has leased certain of its motor vehicles under finance leases. The average lease term range from two to three years. The average effective borrowing rates for the years ended 31 March 2009, 2010 and 2011 were 4.55%, 4.5% and 4.5% per annum respectively. Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate at the end of the reporting period approximates to their carrying amount. All financial lease obligations are denominated in Hong Kong dollars.

29. BANK BORROWINGS

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Bank loans	2,244	5,043	3,079	2,240
Trust receipt loans	5,865	10,548	10,039	16,521
	<u>8,109</u>	<u>15,591</u>	<u>13,118</u>	<u>18,761</u>
Secured	8,109	10,548	10,039	16,521
Unsecured	—	5,043	3,079	2,240
	<u>8,109</u>	<u>15,591</u>	<u>13,118</u>	<u>18,761</u>
Carrying amount repayable:				
On demand or within one year	6,266	12,512	12,070	18,581
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	<u>1,843</u>	<u>3,079</u>	<u>1,048</u>	<u>180</u>
	8,109	15,591	13,118	18,761
Less: Amounts due within one year shown under current liabilities ...	<u>(8,109)</u>	<u>(15,591)</u>	<u>(13,118)</u>	<u>(18,761)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The details of the Group's borrowings at the end of the reporting period are as follows:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Variable rates:				
- Best lending rates plus margin	7,769	7,223	12,145	15,881
- Standard Bills Rates	<u>340</u>	<u>8,368</u>	<u>973</u>	<u>2,880</u>
	<u>8,109</u>	<u>15,591</u>	<u>13,118</u>	<u>18,761</u>

The range of effective interest rate per annum to the Group's variable rate borrowings are as follows:

	Year ended 31 March			Five months ended 31 August	
	2009	2010	2011	2010	2011
Variable rate borrowings	2.75%-7.6%	2%-5.5%	2%-5.8%	2%-5.8%	2%-4.8%

The Group's borrowings are denominated in Hong Kong dollars, United States dollars and Singapore dollars.

30. SHARE CAPITALTHE GROUP

For the purpose of the preparation of the Financial Information, the share capital in the consolidated statements of financial position as at 31 March 2009 and 2010 represents the aggregate of the issued share capital of OTO HK comprising 1,000,000 shares of HKD1 each (equivalent to HKD1,000,000), paid-up capital of OTO Macau of MOP30,000 (equivalent to HKD29,000). The share capital in the consolidated statement of financial position as at 31 March 2011 represents the aggregate of the issued share capital of OTO HK comprising 1,000,000 shares of HKD1 each (equivalent to HKD1,000,000), paid-up capital of OTO Macau of MOP30,000 (equivalent to HKD29,000) and issued ordinary shares of the Company comprising 2 ordinary shares of USD0.01 each (equivalent to HKD0.16). The share capital in the consolidated statement of financial position as at 31 August 2011 represents the issued share capital of the Company.

THE COMPANY

The movements of the Company's share capital during the Relevant Periods are as follows:

	<u>Number of shares</u>	<u>Share capital</u>
	<u>'000</u>	<u>USD'000</u>
Ordinary shares of USD0.01 each		
Authorised:		
At date of incorporation on 20 January 2011 and		
at 31 March 2011	5,000	50
Increased on 20 April 2011	<u>9,995,000</u>	<u>99,950</u>
At 31 August 2011.....	<u>10,000,000</u>	<u>100,000</u>
	<u>Number of shares</u>	<u>Share capital</u>
		<u>USD</u>
Issued and fully paid or credited as fully paid:		
Issued at the date of incorporation.....	1	—
Issued during the period	<u>1</u>	<u>—</u>
At 31 March 2011	2	—
Issued in consideration for the acquisition of the issued		
share capital of OTO BVI	91,999,998	920,000
Issued and allotted to Pre-IPO investors	<u>8,000,000</u>	<u>80,000</u>
At 31 August 2011.....	<u>100,000,000</u>	<u>1,000,000</u>
		<u>HKD'000</u>
Presented as		<u>7,800</u>

The authorised share capital of the Company was USD50,000 divided into 5,000,000 ordinary shares of USD0.01 each. As of the date of incorporation of the Company, one ordinary share of USD0.01 was issued and nil paid by the initial subscriber. The share was transferred to Mr. Yep Gee Kuarn on 11 February 2011 and at the same day one share was issued and allotted to Mr. Yip Chee Seng.

These two shares were transferred to BSEL on 19 April 2011.

By a resolution passed by the then sole shareholder of the Company on 20 April 2011, the Company's authorised share capital was increased to USD100,000,000 divided into 10,000,000,000 ordinary shares of USD0.01 each. Pursuant to a sales and purchase agreement dated 20 April 2011, the Company acquired the entire equity interests in OTO BVI by issuing and allotting 91,999,998 shares of USD0.01 each to BSEL. Thereafter, the Company has become the holding company of the Group since 20 April 2011.

On 26 April 2011, the Company, pursuant to the ICH Pre-IPO Investment Agreement as detailed in the section headed "History, Reorganisation and Corporate Structure - Pre-IPO Investments" in the Prospectus, allotted and issued a total of 8,000,000 shares of USD0.01 each at a total consideration of SGD1,388,000 (equivalent to approximately HKD8,328,000) to the parties under the ICH Pre-IPO Investment Agreement.

31. INVESTMENT IN A SUBSIDIARY

	As at	
	31 March 2011	31 August 2011
	HK\$'000	HK\$'000
Unlisted investment, at cost	—	132,087

The amount represented issue of shares of the Company in exchange for issued capital of OTO BVI. The details are set out in note 1.

32. ACQUISITION OF A SUBSIDIARY

On 22 March 2011, a share transfer agreement entered between each of Messrs. Yip Chee Seng, Yep Gee Kuarn, Yip Chee Lai, Charlie and Yip Chee Way, David (the "Transferors") and OTO (HK) Investment that the entire paid up capital of USD150,000 in OTO Shanghai were agreed to be transferred to OTO (HK) Investment at an aggregate consideration of USD150,000 (equivalent to approximately HKD1,170,000), which amount was payable by OTO (HK) Investment to the Transferors. The consideration was funded by a loan advanced from BSEL through OTO BVI to OTO (HK) Investment. The share transfer agreement was effective on 29 June 2011 upon the Administration of Industry and Commerce of the Shanghai Municipality registering the above changes in the equity-holders of OTO Shanghai and such transfer was then completed.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<u>HKD'000</u>
Property, plant and equipment	70
Inventories	1,247
Trade and other receivables	4,092
Amount due from a related party	159
Bank balances and cash	1,514
Trade and other payables	(2,290)
Amounts due to related parties.....	(1,624)
Tax payable	<u>(557)</u>
	<u>2,611</u>

The receivables acquired (which principally comprised trade receivables) with a fair value of HKD4,092,000 had gross contractual amounts of HKD4,092,000.

In the opinion of the directors of the Company, an amount of approximately HKD1,441,000, being the excess of the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed over the sum of the consideration transferred, is considered as contribution from the shareholders and credited to capital reserve upon completion of acquisition.

Net cash inflow on acquisition of OTO Shanghai:

	<u>HKD'000</u>
Cash consideration paid	(1,170)
Less: cash and cash equivalent balances acquired	<u>1,514</u>
	<u>344</u>

Included in the profit for the five months ended 31 August 2011 is HKD216,000 generated by OTO Shanghai. Revenue for the five months ended 31 August 2011 includes HKD2,819,000 generated by OTO Shanghai.

Had the acquisition been completed on 1 April 2011, total group revenue for the five months ended 31 August 2011 would have been HKD104,556,000, and profit for the five months ended 31 August 2011 would have been HKD12,808,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

33. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain the banking facilities at the end of each reporting period:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Leasehold land and buildings				
- included in property, plant and equipment	5,016	4,865	3,132	3,075
- classified as held for sale.....	—	—	1,582	—
Investment properties	3,340	4,770	6,050	6,280
Bank deposits	4,395	6,403	6,406	6,408
Investments at FVTPL	3,631	3,830	3,901	1,936
	<u>16,382</u>	<u>19,868</u>	<u>21,071</u>	<u>17,699</u>

In addition, the Group's obligations under finance leases are secured by the lessor's charge over the leased assets with carrying values as disclosed in note 17.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

At the end of each reporting period, an investment property was let out under operating leases. Gross rental income earned during the years ended 31 March 2009 and 2011 and the five months ended 31 August 2010 and 2011 are HKD19,000, HKD156,000, HKD65,000 (unaudited) and HKD65,000 respectively. The investment property was vacant during the year ended 31 March 2010.

At the end of each reporting period, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases which fall due:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Within one year	—	156	13	13
In the second to fifth years inclusive	—	13	—	—
	<u>—</u>	<u>169</u>	<u>13</u>	<u>13</u>

Leases are negotiated and rentals are fixed for terms ranging from one to two years.

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	As at 31 March			As at 31 August
	2009	2010	2011	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Within one year	14,190	16,398	18,227	17,771
In the second to fifth years inclusive	<u>1,449</u>	<u>25,036</u>	<u>7,784</u>	<u>10,497</u>
	<u>15,639</u>	<u>41,434</u>	<u>26,011</u>	<u>28,268</u>

Operating lease payments represent rentals payable by the Group for its office, shops and consignment counters at department stores. Leases are negotiated for terms ranging from one year to three years with fixed monthly rentals and certain arrangements are subject to contingent rents based on a fixed percentage ranging from 15% to 33% of the monthly gross turnover with or without monthly minimum lease payments.

35. RELATED PARTY DISCLOSURES

Other than those transactions disclosed in notes 26 and 32, during the Relevant Periods the Group entered into following transactions with related parties:

(i)

Name of related company	Nature of transaction	Year ended 31 March			Five months ended 31 August	
		2009	2010	2011	2010	2011
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
					(unaudited)	
OTO Singapore	Trade sales	1,039	705	94	75	118
	Trade purchases	3,140	4,303	4,890	1,389	44
	Management fee	—	—	322	—	—
OTO Malaysia	Trade sales	—	—	5	5	5
	Advertising fee income	—	—	90	—	—
OTO Shanghai	Trade sales	—	—	822	—	853
	Trade purchases	<u>—</u>	<u>—</u>	<u>512</u>	<u>—</u>	<u>702</u>

In the opinion of the directors of the Company, the above transactions were conducted in the normal course of business and based on the terms mutually determined and agreed by the respective parties. Except the transactions with OTO Shanghai which formed part of the

Group since 29 June 2011, the directors of the Company are of the opinion that the above transactions will be discontinued after the listing of the shares of the Company on the Stock Exchange (the "Listing"). The transactions between OTO Shanghai and entity within the Group from 29 June 2011 are eliminated on consolidation.

Certain directors of the Company are also directors of the related companies.

Amounts due from/to related parties are disclosed in the consolidated statements of financial position and in note 24.

- (ii) Certain directors, who are shareholders of the Company, have provided personal guarantee to banks for the outstanding bank borrowings of HK\$8,109,000, HK\$15,591,000, HK\$13,118,000 and HK\$18,761,000 at 31 March 2009, 2010, 2011 and 31 August 2011 respectively, to secure certain banking facilities granted to the Group. Each of the relevant banks have given its consent in principal to release all these guarantees and charges upon the Listing.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 13.

36. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute MOP30 per month for each employee to the retirement benefit plan to fund the benefits.

The employees employed in the PRC are members of the state-managed benefit scheme operated by PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of the salaries of its employees to the scheme. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

As at 31 March 2009, 2010 and 2011 and 31 August 2011, the Group had no significant obligation apart from the contribution as stated above.

37. NON-CASH TRANSACTION

During the year ended 31 March 2009, the Group entered into a finance lease arrangement for acquisition of an asset with a total capital value at the inception of the lease of HKD360,000.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable by the Group to the Company's directors during the Relevant Periods.

Under the arrangements currently in force, the aggregate amount of remuneration payable to, and benefits in kind receivable by, the directors of the company (including independent non-executive directors) for the year ending 31 March 2012 is estimated to be approximately HKD7.3 million.

C. EVENTS AFTER THE END OF REPORTING PERIOD

On 25 November 2011, written resolutions of all the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in writing of all Shareholders passed on 25 November 2011" in Appendix VI to the Prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies comprising the Group in respect of any period subsequent to 31 August 2011.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong



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35/F One Pacific Place
88 Queensway
Hong Kong

1 December 2011

The Directors
OTO Holdings Limited
BOCOM International (Asia) Limited

Dear Sirs,

We set out below our report on the pre-acquisition financial information (the “Pre-acquisition Financial Information”) relating to 騰多商貿(上海)有限公司 Dainty (Shanghai) Co., Ltd. (“OTO Shanghai”) for the period from 25 March 2010 (date of establishment) to 31 March 2010, the year ended 31 March 2011 and the period from 1 April 2011 to 28 June 2011 (the “Pre-acquisition Periods”) for inclusion in the prospectus of OTO Holdings Limited (the “Company”) dated 1 December 2011 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). The English name of 騰多商貿(上海)有限公司 is for identification purpose only.

OTO Shanghai was established in the People’s Republic of China (“PRC”) on 25 March 2010 as a private limited liability company. OTO Shanghai engages in sales of health and wellness products in the PRC and commenced operation in October 2010. By entering a share transfer agreement dated 22 March 2011, the entire paid up capital of USD150,000 in OTO Shanghai were agreed to be transferred to OTO (HK) Investment Limited (“OTO (HK) Investment”) at an aggregate consideration of USD150,000, which amount was payable by OTO (HK) Investment to each of the then shareholders of OTO Shanghai, Messrs. Yip Chee Seng, Yep Gee Kuarn, Yip Chee Lai, Charlie and Yip Chee Way, David. The amount so paid was funded by a loan advanced from Brilliant Summit Enterprise Limited (“BSEL”), which is the parent and ultimate holding company of the Company after the group reorganisation as more fully explained in the paragraph headed “Group Reorganisation” in Appendix VI to the Prospectus, through OTO (BVI) Investment Limited (“OTO BVI”) to OTO (HK) Investment. The share transfer agreement was effective on 29 June 2011 upon the Administration for Industry and Commerce of the Shanghai Municipality registering the above changes in the equity-holders of OTO Shanghai and OTO Shanghai became a subsidiary of the Company from then on. As directed by the controlling shareholders of the Company, the loan of USD150,000 advanced by BSEL to OTO BVI was settled by the issue of 152 new shares of USD1 each in OTO BVI to BSEL, credited as fully paid.

The financial year end date of OTO Shanghai is 31 December. The statutory financial statements of OTO Shanghai for the period from 25 March 2010 (date of establishment) to 31 December 2010 prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC were audited by 上海勝章會計師事務所有限公司 Shanghai LSC Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC.

For the purpose of this report, the directors of OTO Shanghai have prepared the financial statements of OTO Shanghai for the Pre-acquisition Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Statements"). We have undertaken an independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the HKFRS Financial Statements for the Pre-acquisition Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" as recommended by the HKICPA.

The Pre-acquisition Financial Information set out in this report has been prepared from the HKFRS Financial Statements. No adjustments are considered necessary to the HKFRS Financial Statements in preparing our report for inclusion in the Prospectus.

The HKFRS Financial Statements are the responsibility of the directors of OTO Shanghai who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Pre-acquisition Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Pre-acquisition Financial Information and to report our opinion to you.

In our opinion, the Pre-acquisition Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of OTO Shanghai as at 31 March 2010, 31 March 2011 and 28 June 2011, and of the results and cash flows of OTO Shanghai for the Pre-acquisition Periods.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
		RMB	RMB	RMB
Revenue.....	7	—	8,366,299	4,676,899
Other income	8	—	756	906
Changes in inventories of finished goods.....		—	725,804	296,586
Finished goods purchased		—	(4,455,341)	(2,251,988)
Staff costs.....		(20,909)	(458,067)	(421,387)
Depreciation		—	(6,045)	(3,789)
Other expenses.....		<u>(20,127)</u>	<u>(3,148,644)</u>	<u>(1,675,314)</u>
(Loss) profit before tax.....	9	(41,036)	1,024,762	621,913
Income tax expense.....	10	—	<u>(256,191)</u>	<u>(200,620)</u>
(Loss) profit and total comprehensive (expense) income for the period/year		<u>(41,036)</u>	<u>768,571</u>	<u>421,293</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 March 2010 RMB	At 31 March 2011 RMB	At 28 June 2011 RMB
Non-current asset				
Property, plant and equipment.....	13	—	32,646	57,203
Current assets				
Inventories.....	14	—	725,804	1,022,390
Amount due from a related party	15	—	—	130,000
Trade and other receivables.....	16	—	3,489,546	3,355,141
Bank balances and cash	17	—	1,346,187	1,241,544
		—	5,561,537	5,749,075
Current liabilities				
Trade and other payables	18	—	2,504,992	1,845,112
Amounts due to related parties.....	15	41,036	1,081,295	1,331,357
Tax payable		—	256,191	456,811
		41,036	3,842,478	3,633,280
Net current (liabilities) assets		(41,036)	1,719,059	2,115,795
Total assets less current liabilities		(41,036)	1,751,705	2,172,998
Capital and reserve				
Paid-in capital	19	—	1,024,170	1,024,170
(Accumulated loss) retained profits.....		(41,036)	727,535	1,148,828
Total equity		(41,036)	1,751,705	2,172,998

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	(Accumulated loss) retained profits	Total
	RMB	RMB	RMB
Loss and total comprehensive expense for the period	—	(41,036)	(41,036)
At 31 March 2010.....	—	(41,036)	(41,036)
Capital contributions.....	1,024,170	—	1,024,170
Profit and total comprehensive income for the year.....	—	768,571	768,571
At 31 March 2011.....	1,024,170	727,535	1,751,705
Profit and total comprehensive income for the period	—	421,293	421,293
At 28 June 2011.....	<u>1,024,170</u>	<u>1,148,828</u>	<u>2,172,998</u>

STATEMENTS OF CASH FLOWS

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
OPERATING ACTIVITIES			
(Loss) profit before tax	(41,036)	1,024,762	621,913
Adjustments for:			
Depreciation of property, plant and equipment	—	6,045	3,789
Interest income	—	(756)	(906)
Operating cash flows before movements in working capital.....	(41,036)	1,030,051	624,796
Increase in inventories	—	(725,804)	(296,586)
(Increase) decrease in trade and other receivables.....	—	(3,489,546)	134,405
Increase (decrease) in trade and other payables..	—	2,504,992	(659,880)
Increase in amount due to a related party.....	—	261,995	394,886
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(41,036)	(418,312)	197,621
INVESTING ACTIVITIES			
Interest received	—	756	906
Additions of property, plant and equipment.....	—	(38,691)	(28,346)
Advance to a related party	—	—	(130,000)
NET CASH USED IN INVESTING ACTIVITIES	—	(37,935)	(157,440)
FINANCING ACTIVITIES			
Capital contributions.....	—	1,024,170	—
Advance from (repayment to) related parties.....	41,036	778,264	(144,824)
CASH FROM (USED IN) FINANCING ACTIVITIES	41,036	1,802,434	(144,824)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	1,346,187	(104,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	—	—	1,346,187
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by bank balances and cash	—	1,346,187	1,241,544

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

OTO Shanghai is a private limited liability company established in the PRC on 25 March 2010. The registered office and the principal place of business of OTO Shanghai is situated at Room 1603, No.199 North Urumgi Road, Shanghai, the PRC.

After the group reorganisation as more fully explained in the paragraph headed "Group Reorganisation" in Appendix VI to the Prospectus, OTO (HK) Investment and BSEL became the immediate holding company and ultimate holding company of OTO Shanghai respectively on 29 June 2011.

The Pre-acquisition Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which OTO Shanghai operates (functional currency).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC)-Int") (hereinafter collectively referred to as the "New HKFRSs") which are effective for accounting periods beginning on 1 April 2011. For the purpose of preparing the Pre-acquisition Financial Information of the Pre-acquisition Periods, OTO Shanghai has consistently applied all these new HKFRSs throughout the Pre-acquisition Periods.

OTO Shanghai has not early applied the following new and revised Standards, Amendments and Interpretation that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ³
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ⁴
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Interests in Other Entities ³
HKFRS 13	Fair Value Measurement ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ³

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- ¹ Effective for annual periods beginning on or after 1 July 2012
- ² Effective for annual periods beginning on or after 1 January 2012
- ³ Effective for annual periods beginning on or after 1 January 2013
- ⁴ Effective for annual periods beginning on or after 1 July 2011

The directors of OTO Shanghai anticipate that the application of the above new and revised Standards, Amendments and Interpretation will have no material impact on the results and the financial position of OTO Shanghai.

3. PRINCIPAL ACCOUNTING POLICIES

The Pre-acquisition Financial Information has been prepared on the historical cost basis in accordance with HKFRSs issued by the HKICPA. In addition, the Pre-acquisition Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- OTO Shanghai has transferred to the buyer the significant risks and rewards of ownership of the goods;
- OTO Shanghai retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to OTO Shanghai; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to OTO Shanghai and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

OTO Shanghai as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when OTO Shanghai becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

Financial assets

OTO Shanghai's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related party and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include OTO Shanghai's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by OTO Shanghai are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of OTO Shanghai after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables and amounts due to related parties) are measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by OTO Shanghai are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and OTO Shanghai has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. OTO Shanghai's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Pre-acquisition Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which OTO Shanghai expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss.

Impairment losses on tangible assets

At the end of each reporting period, OTO Shanghai reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Retirement benefit costs

Payments to the state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of OTO Shanghai, transactions in currencies other than the functional currency of OTO Shanghai (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which OTO Shanghai operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of OTO Shanghai's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial period, are discussed below.

Estimated allowance for doubtful debts

OTO Shanghai makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the periods in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 March 2011 and 28 June 2011 amounting to RMB3,489,546 and RMB3,355,141 respectively.

Estimated allowances for inventories

OTO Shanghai makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve, additional allowance/reversal of allowances may be required. The carrying amount of inventories as at 31 March 2011 and 28 June 2011 amounting to RMB725,804 and RMB1,022,390 respectively.

5. CAPITAL RISK MANAGEMENT

OTO Shanghai manages its capital to ensure that it will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. OTO Shanghai's overall strategy remained unchanged throughout the Pre-acquisition Periods.

The capital structure of OTO Shanghai consists of debt, which includes amounts due to related parties and equity attributable to owners of OTO Shanghai, comprising paid-in capital and reserve.

The management of OTO Shanghai reviews the capital structure regularly. The management also balance its overall capital structure through payments of dividends, new capital issues as well as issue of new debts or repayment of existing debts, if necessary.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>—</u>	<u>4,780,933</u>	<u>4,663,767</u>
Financial liabilities			
Liabilities at amortised cost	<u>41,036</u>	<u>3,515,567</u>	<u>3,060,636</u>

(b) Financial risk management objectives and policies

OTO Shanghai's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign currency risk

OTO Shanghai's foreign currency monetary assets are mainly USD denominated bank balances with carrying amount of approximately RMB656,000 at 31 March 2011 and RMB648,000 at 28 June 2011.

Sensitivity analysis

OTO Shanghai is mainly exposed to the currency risk of USD against RMB.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. There would be a decrease in profit after tax of approximately RMB49,200 for the year ended 31 March 2011 and RMB48,600 for the period from 1 April 2011 to 28 June 2011 where RMB strengthens 10% against USD. For a 10% weakening of RMB against USD, there would be an equal and opposite impact on the profit after tax.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period/year end exposure does not reflect the exposure during the relevant period/year.

(ii) Interest rate risk

The Company is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of OTO Shanghai consider that the interest rate risk on bank balances is minimal.

(iii) Credit risk

At the end of each reporting period, OTO Shanghai's maximum exposure to credit risk which will cause a financial loss to OTO Shanghai due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

OTO Shanghai's credit risk is primarily attributable to its trade and other receivables and bank balances.

OTO Shanghai reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of OTO Shanghai consider that OTO Shanghai's credit risk is significantly reduced. The credit risk on receivables from department stores and corporate customers are limited because all department stores and corporate customers have good repayment records.

OTO Shanghai has concentration of credit risk as 91% and 87% of the total trade receivables represented amounts due from the largest five trade debtors which mainly include department stores and corporate customers as at 31 March 2011 and 28 June 2011 respectively.

The credit risk on bank balances is limited because the major counterparty is a bank with high credit rating assigned by international credit-rating agencies.

In addition, OTO Shanghai has concentration of credit risk on liquid funds which are deposited with two banks.

Other than those described above, OTO Shanghai has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

(iv) Liquidity risk

OTO Shanghai's contractual maturity for its non-interest bearing trade and other payables with total carrying amount of Nil, RMB2,434,272 and RMB1,729,279 and amounts due to related parties with total carrying amount of RMB41,036, RMB1,081,295 and RMB1,331,357 as at 31 March 2010, 31 March 2011 and 28 June 2011 respectively, are repayable on demand or less than 3 months.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sale related taxes, during the Pre-acquisition Periods.

The operating segments of OTO Shanghai represent the components of OTO Shanghai whose operating results are regularly reviewed by the chief operating decision maker for the purpose of making decisions about resources allocation and assessment of performance. The chief operating decision maker comprises the directors of OTO Shanghai. Information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment is focused on revenue and operating results from sales of health and bodycare products in PRC which is consistent with the information presented in the HKFRS Financial Statements of OTO Shanghai. Accordingly, no analysis of this single reporting segment is presented.

Revenue from customer in each of the reporting period over the Pre-acquisition Periods, individually contributing over 10% of the total revenue of OTO Shanghai is as follows:

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
Customer A.....	—	1,381,105	—*
Customer B.....	—	—*	1,131,512
Customer C.....	—	—*	576,201
Customer D.....	—	—*	572,596
	<u> </u>	<u> </u>	<u> </u>

* The corresponding amount did not contribute over 10% of the total revenue of OTO Shanghai.

All of the OTO Shanghai's non-current assets are located in the PRC.

8. OTHER INCOME

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
Bank interest income	—	756	906
	<u> </u>	<u> </u>	<u> </u>

9. (LOSS) PROFIT BEFORE TAX

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
(Loss) profit before tax has been arrived at after charging:			
Auditors' remuneration (Note)	—	6,500	—
Cost of inventories recognised as an expense	—	3,729,537	1,955,402
Staff retirement benefit costs	741	14,441	14,672
Operating lease payments in respect of rented premises (included in other expenses)			
- Minimum lease payments	—	135,120	145,122
- Contingent rent	—	1,478,474	502,204
	<u> </u>	<u> </u>	<u> </u>

Note: No auditors' remuneration was accrued for the period from 25 March 2010 (date of establishment) to 31 March 2010 and the period from 1 April 2011 to 28 June 2011. In the opinion of the directors of OTO Shanghai, the auditors' remuneration to be accrued for the period is insignificant due to the relatively short operating period.

10. INCOME TAX EXPENSE

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
Current tax:			
PRC Enterprise Income Tax	—	256,191	200,620
	<u> </u>	<u> </u>	<u> </u>

PRC Enterprise Income Tax is calculated in accordance with the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Laws. The applicable tax rate is 25% for the Pre-acquisition Periods.

The income tax expense for the period/year can be reconciled to the (loss) profit per the statements of comprehensive income as follows:

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
(Loss) profit before tax.....	<u>(41,036)</u>	<u>1,024,762</u>	<u>621,913</u>
Tax at PRC Enterprise Income Tax rate of 25%.....	(10,259)	256,191	155,478
Tax effect of expenses not deductible for tax purpose.....	—	22,039	282
Tax effect of tax losses not recognised.....	10,259	—	
Tax effect of utilisation of tax losses previously not recognised	—	(10,259)	—
Other	<u>—</u>	<u>(11,780)</u>	<u>44,860</u>
Income tax expense for the period/year.....	<u>—</u>	<u>256,191</u>	<u>200,620</u>

11. DIRECTORS' EMOLUMENTS

No remuneration were paid or are payable to any directors of OTO Shanghai, Mr. Yip Chee Seng, Mr. Yep Gee Kuarn and Mr. Yip Chee Way, David, during the Pre-acquisition Periods. The directors are of the opinion that OTO Shanghai only commenced its operation in 2010 and the services provided by the directors to OTO Shanghai only occupy an insignificant amount of their time and therefore it is concluded that the directors are not remunerated.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the only three individuals for the period from 25 March 2010 (date of establishment) to 31 March 2010 and five individuals with the highest emoluments in OTO Shanghai for the year ended 31 March 2011 and the period from 1 April 2011 to 28 June 2011 are as follows:

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
Salary and other benefits	20,168	91,687	80,703
Performance related payments (Note 1).....	—	101,732	49,625
Retirement benefits scheme contribution	<u>741</u>	<u>10,165</u>	<u>4,929</u>
Total emoluments.....	<u>20,909</u>	<u>203,584</u>	<u>135,257</u>

Their emoluments were within the following bands:

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	No. of employees	No. of employees	No. of employees
Less than HKD1,000,000	<u>3</u>	<u>5</u>	<u>5</u>

Note 1: The performance related payments are determined as a percentage of OTO Shanghai's turnover during the relevant period/year.

During the Pre-acquisition Periods, no emoluments were paid by OTO Shanghai to any of the directors of OTO Shanghai or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining OTO Shanghai or as compensation for loss of office. None of the directors of OTO Shanghai waived any emoluments during the Pre-acquisition Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment
	RMB
COST	
For the period from 25 March 2010 to 31 March 2010 and at 31 March 2010.....	—
Additions	<u>38,691</u>
At 31 March 2011	38,691
Additions	<u>28,346</u>
At 28 June 2011.....	<u>67,037</u>
DEPRECIATION	
For the period from 25 March 2010 to 31 March 2010.....	—
Provided for the year	<u>6,045</u>
At 31 March 2011	6,045
Provided for the period	<u>3,789</u>
At 28 June 2011.....	<u>9,834</u>
CARRYING VALUES	
At 31 March 2010.....	—
At 31 March 2011	<u>32,646</u>
At 28 June 2011.....	<u>57,203</u>

Furniture, fixtures and equipment are depreciated at rate of 33% per annum.

14. INVENTORIES

All inventories represent finished goods held for resales.

15. AMOUNTS DUE FROM/TO RELATED PARTIES

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
Amount due from:			
The Company	—	—	130,000
Amounts due to:			
OTO Bodycare (H.K.) Limited ("OTO HK")	—	419,849	786,735
Close family member of a director	41,036	661,446	544,622
	<u>41,036</u>	<u>1,081,295</u>	<u>1,331,357</u>

The amount due from the Company represents amounts of legal and professional charges paid on behalf of the Company by OTO Shanghai in connection with the initial listing of the shares of the Company on the Stock Exchange. The balance at 28 June 2011 is unsecured, interest-free and repayable on demand and represents the maximum amount outstanding during the period.

Amount due to OTO HK is unsecured. Except for the amounts of RMB261,995 and RMB656,881 at 31 March 2011 and 28 June 2011 respectively are trade nature and repayable within 30 days, the remaining balance is interest-free and repayable on demand. The directors of OTO Shanghai are also directors and shareholders of OTO HK.

Amount due to a close family member of a director, Mr. Yip Chan Yong who is the son of Mr. Yip Chee Seng, is unsecured, interest-free and repayable on demand. The amount had been settled prior to the issue of this report.

16. TRADE AND OTHER RECEIVABLES

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
Trade receivables	—	3,434,746	3,146,531
Other receivables, prepayments and deposits:			
Prepayments	—	54,800	55,558
Other receivables and deposits.....	—	—	153,052
	—	54,800	208,610
	—	3,489,546	3,355,141

Receivables from retail sales in department stores are collected within two months. OTO Shanghai granted an average credit period of 30 days to the corporate customers.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
0 - 30 days	—	1,905,563	1,318,725
31 - 60 days	—	720,022	1,139,607
61 - 90 days	—	322,368	203,203
Over 90 days	—	486,793	484,996
	—	3,434,746	3,146,531

Before accepting any new corporate customer, OTO Shanghai assesses the potential corporate customer's credit quality and defines credit limits for each corporate customer. Limits attributed to corporate customers are reviewed annually.

There has not been a significant change in credit quality of trade receivables which are neither past due nor impaired. There was no recent history of default for these customers.

As at 31 March 2011 and 28 June 2011, included in OTO Shanghai's trade receivable balance are debtors with aggregate carrying amount of RMB1,563,078 and RMB736,977 respectively which are past due as at the reporting date for which OTO Shanghai has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

Aging of trade receivables (by invoice date) which are past due but not impaired:

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
0 - 30 days	—	33,895	—
31 - 60 days	—	720,022	48,778
61 - 90 days	—	322,368	203,203
Over 91 days	—	486,793	484,996
Total	—	<u>1,563,078</u>	<u>736,977</u>

In determining the recoverability of a trade receivable, OTO Shanghai considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

17. BANK BALANCES AND CASH

Bank balances carry floating average market interest rate of 0.38% and 0.45% per annum as at 31 March 2011 and 28 June 2011 respectively.

18. TRADE AND OTHER PAYABLES

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
Trade payables	—	<u>2,221,978</u>	<u>1,370,083</u>
Other payables and accruals:			
Accruals	—	59,256	62,718
Others	—	<u>223,758</u>	<u>412,311</u>
	—	<u>283,014</u>	<u>475,029</u>
	—	<u>2,504,992</u>	<u>1,845,112</u>

The following is an aged analysis of trade payable presented based on the invoice date at the end of each reporting period:

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
Trade payables:			
0 - 30 days	—	451,762	465,226
31 - 60 days	—	266,207	451,852
61 - 90 days	—	566,978	—
Over 90 days	—	937,031	453,005
	—	<u>2,221,978</u>	<u>1,370,083</u>

The average credit period for trade purchases ranges from 30 to 60 days.

19. PAID-IN CAPITAL

The registered capital of OTO Shanghai is USD150,000 (equivalent to RMB1,024,170) which was paid up during the year ended 31 March 2011.

20. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, OTO Shanghai had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	At 31 March 2010	At 31 March 2011	At 28 June 2011
	RMB	RMB	RMB
Within one year	—	<u>161,800</u>	<u>99,400</u>

Operating lease payments represent rentals payable by OTO Shanghai for its office, warehouse, staff quarter and consignment counters at department stores. Leases for its office, warehouse and staff quarter are negotiated for terms of one year with fixed monthly rentals. The rentals payable by OTO Shanghai for its consignment counters at department stores are subject to contingent rents based on fixed percentage ranging from 15% to 30% of the monthly gross turnover.

21. RELATED PARTY DISCLOSURES

During the Pre-acquisition Periods, OTO Shanghai entered into the following transactions with OTO HK:

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
Trade sales.....	—	454,416	576,021
Trade purchases	—	716,412	699,790

In the opinion of the directors of OTO Shanghai, the above transactions were conducted in the normal course of business and based on the terms mutually determined and agreed by both parties.

The directors of OTO Shanghai are also directors and shareholders of OTO HK.

Amounts due from/to related parties are disclosed in the statements of financial position and in note 15.

Compensation of key management personnel

Other than those disclosed in note 11, the remuneration of the key management personnel during the Pre-acquisition Periods is as follows:

	For the period from 25 March 2010 (date of establishment) to 31 March 2010	For the year ended 31 March 2011	For the period from 1 April 2011 to 28 June 2011
	RMB	RMB	RMB
Short-term employee benefit	—	35,517	57,975

22. RETIREMENT BENEFIT SCHEME

The employees of OTO Shanghai are members of the state-managed retirement benefit scheme operated by the PRC government.

OTO Shanghai is required to contribute a certain percentage of their basic payroll to the retirement benefit scheme to fund the benefits.

The only obligation of OTO Shanghai with respect to the retirement benefit scheme is to make the required contributions under the scheme.

As at 31 March 2010, 31 March 2011 and 28 June 2011, OTO Shanghai had no significant obligation apart from the contribution as stated above.

B. EVENT AFTER THE END OF REPORTING PERIOD

The registered capital of OTO Shanghai increased from USD150,000 to USD5,150,000 by a written resolution of a shareholders' meeting passed on 15 August 2011. An amount of USD1,002,970 was paid up on 26 October 2011.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected (i) the net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on 31 August 2011; and (ii) the forecast basic earnings per share of the Group for the year ending 31 March 2012 as if the Global Offering had taken place on 1 April 2011.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position nor the future financial results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position nor financial results.

(A) Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis set forth in the notes below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 August 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as of 31 August 2011, after the completion of the Global Offering or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of 31 August 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾
	HKD'000	HKD'000	HKD'000	HKD
Based on an Offer Price of HK\$1.28 per Share	150,552	79,838	230,390	0.72
Based on an Offer Price of HK\$1.60 per Share	150,552	104,350	254,902	0.80

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of 31 August 2011 are based on audited consolidated net assets of the Group attributable to owners of the Company as of 31 August 2011 of HKD150,552,000 as set out in Appendix IA to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on 80,000,000 shares to be issued under the Global Offering and the Offer Price of HK\$1.28 and HK\$1.60 per share, being the lower end and higher end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately HK\$10.2 million listing-related expense which has been accounted for prior to 31 August 2011) payable by the Company in connection with the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 320,000,000 shares in issue immediately following the completion of the Global Offering. No consideration has been given to any Shares which may be issued pursuant to the Share Option Scheme. By comparing the valuation of property interests as set out in Appendix IV to this prospectus to the carrying amounts of the respective property interests of the Group as at 30 September 2011, the net valuation surplus attributable to property interests stated at historical cost less depreciation or amortisation (the “Property Interests”) is approximately HK\$5.5 million which has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company. The valuation surplus of the Property Interests will not be incorporated in our consolidated financial statements. If the valuation surplus were to be included in the consolidated financial statements, an additional depreciation or amortisation charge of approximately HK\$0.2 million per annum would be incurred.

(B) Unaudited Pro Forma Forecast Basic Earnings per Share

The following unaudited pro forma forecast basic earnings per Share for the year ending 31 March 2012 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of Global Offering as if it had taken place on 1 April 2011. The unaudited pro forma forecast basic earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering or for any future periods.

For the year ending 31 March 2012

Forecast of consolidated profit attributable to owners of the Company ⁽¹⁾	not less than HK\$50.8 million
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	not less than HK\$0.16

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 March 2012 has been prepared are summarized in Appendix III to this prospectus.
- (2) The unaudited pro forma forecast basic earnings per Share is calculated in accordance with paragraph 4.29(8) of the Listing Rules on a weighted average basis by dividing the forecast consolidated profit attributable to owners of the Company for the year ending 31 March 2012 by a weighted average of 318,620,817 shares assumed to be issued and outstanding during the year ending 31 March 2012. The weighted average of 318,620,817 shares is calculated based on 218,734,920 shares issued and outstanding as at 1 April 2011, 2,065,075 shares issued in relation to the acquisition of OTO Shanghai on 13 April 2011, 19,200,000 shares issued to Pre-IPO investors on 26 April 2011 and 80,000,000 shares to be issued pursuant to the Global Offering on the assumption that the Global Offering and capitalisation issue had been completed on 1 April 2011.

(C) Accountants' Report on Unaudited Pro Forma Financial Information

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF OTO HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of OTO Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering of 80,000,000 shares of US\$0.01 each in the Company, might have affected the financial information presented, for inclusion in parts A and B of Appendix II to the prospectus dated 1 December 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 and II-2 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 August 2011 or any future date; or
- the earnings per share of the Group for the year ending 31 March 2012 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1 December 2011

The forecast of our net profit for the year ending 31 March 2012 is set out in the section entitled “Financial Information — Profit Forecast for the Year Ending 31 March 2012”.

(A) Bases and assumptions

The Directors have prepared the forecast of the consolidated net profit attributable to owners of the Company for the year ending 31 March 2012 (the “Relevant Period”) on the basis of audited financial results of the Group for the five months ended 31 August 2011, the results shown in the unaudited management accounts of the Group for the two months ended 31 October 2011 and a forecast of results of the Group for the remaining five months ending 31 March 2012.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with the accounting policies normally adopted by our Group as summarized in the Accountants’ Report set out in Appendix IA to this Prospectus, and on the following general assumptions:

1. There will be no material changes in the existing laws or regulations, government policies or political, legal (including changes in legislation or regulations or rules), fiscal, economic or market conditions in Hong Kong, Macau and the PRC in which the Group carries on its business;
2. There will be no material changes in inflation rates, interest rates or exchange rates from those prevailing rates;
3. There will be no government action, or any other unforeseen circumstances beyond the control of the Group which will have a material adverse effect on the operations and results of the Group;
4. The operations of the Group will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents;
5. The Group’s operations and financial performance will not be materially and adversely impacted by any of the risk factors as set out in the section headed “Risk Factors” in the Prospectus;
6. The Board and the senior management of the Group will remain the same during the Relevant Period;
7. The Group will maintain the business relationship with external manufacturers and Group can consistently procure products from these external manufacturers during the Relevant Period;
8. There will be no extraordinary items which are likely to arise in respect of the year ending 31 March 2012.

(B) Letters

Set out below are texts of letters received by the Directors from (i) Deloitte Touche Tohmatsu, reporting accountants of our Company, and (ii) the Sole Sponsor prepared for the purpose of incorporation in this Prospectus in connection with the forecast of our Group's consolidated net profit attributable to owners of the Company for the year ending 31 March 2012.

(i) Letter From Deloitte Touche Tohmatsu

The following is the text of a letter received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus, in respect of the forecast of consolidated net profit attributable to owners of the Company.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

1 December 2011

The Directors
OTO Holdings Limited
BOCOM International (Asia) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated net profit of OTO Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 March 2012 attributable to equity holders of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 1 December 2011 issued by the Company (the "Prospectus"). The Forecast is prepared based on the audited results of the Group for the five months ended 31 August 2011, the results shown in the unaudited management accounts of the Group for the two months ended 31 October 2011, and a forecast of the results for the remaining five months of the financial year ending 31 March 2012.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in part A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended 31 March 2011 and the five months ended 31 August 2011 as set out in Appendix IA to the Prospectus .

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Letter from the Sole Sponsor

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sole Sponsor, in connection with the forecast of the consolidated profit attributable to our equity holders for the year ending 31 March 2012.



BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

1 December 2011

The Directors
OTO Holding Limited

Dear Sirs

We refer to the forecast of the consolidated net profit attributable to equity holders of OTO Holding Limited (the “**Company**”) for the year ending 31 March 2012 (the “**Profit Forecast**”), as set out in the prospectus issued by the Company dated 1 December 2011 (the “**Prospectus**”).

We understand that the Profit Forecast has been prepared by the Directors of the Company based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the five months ended 31 August 2011, the unaudited consolidated results of the Group for the two months ended 31 October 2011 and a forecast of the consolidated results of the Group for the months ending 31 March 2012.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 1 December 2011 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BOCOM International (Asia) Limited
Kenneth Sit
Executive Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2011 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

1 December 2011

The Board of Directors
OTO Holdings Limited
26/F Pacific Plaza
410 Des Voeux Road West
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which OTO Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong and Macau, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest of the properties in Groups I and II by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Groups III, IV and V which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing those property interests in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents and tenancy agreements relating to the property interests and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not been provided with copies of title documents relating to the property interest in Macau but have caused searches to be made at Conservatoria do Registo Predial of Macau (Real Estate Registry Office). However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents and tenancy agreements relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jingtian & Gongcheng, concerning the validity of the tenancy agreements in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK\$).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of

Jones Lang LaSalle Sallmanns Limited

Paul L. Brown
B.Sc. FRICS FHKIS
Chief Valuation Adviser

Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Associate Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong and the United Kingdom as well as relevant experience in Macau and the Asia-Pacific region.

Eddie T.W. Yiu is a Chartered Surveyor who has 17 years' experience in the valuation of properties in the PRC and Hong Kong as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest owned and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at 30 September 2011 HK\$	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2011 HK\$
1. Flat G on 27th Floor of Tower 25 South Horizons No. 25 Yi Nam Road Hong Kong	8,530,000	100%	8,530,000
Sub-total:	<u>8,530,000</u>		<u>8,530,000</u>

Group II — Property interest held for investment by the Group in Hong Kong

No. Property	Capital value in existing state as at 30 September 2011 HK\$	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2011 HK\$
2. Office No. 12 on the 19th Floor Hong Kong Plaza No. 188 Connaught Road West Hong Kong	6,300,000	100%	6,300,000
Sub-total:	<u>6,300,000</u>		<u>6,300,000</u>

Group III — Property interests rented and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at 30 September 2011 HK\$
3. Shop 27D on Level 3 Shatin Plaza Nos. 21-27 Sha Tin Centre Street Shatin New Territories Hong Kong	No commercial value
4. Shop UG068 on Upper Ground Floor Commercial Accommodation of Metro City Phase II 8 Yan King Road Tseung Kwan O Sai Kung New Territories Hong Kong	No commercial value
5. Shop No. 3316 Level 3 Gateway Arcade Harbour City Tsimshatsui Kowloon Hong Kong	No commercial value
6. Shop Nos. 355A & 356 Level 3 Plaza Hollywood Diamond Hill Kowloon Hong Kong	No commercial value
7. Shop Nos. 809-810 8th Floor Times Square Causeway Bay Hong Kong	No commercial value
8. Shop Unit 307B Level 3 Maritime Square Tsing Yi New Territories Hong Kong	No commercial value

No. Property	Capital value in existing state as at 30 September 2011 HK\$
9. Shop Unit G55 Level 1 Telford Plaza I Kowloon Bay Kowloon Hong Kong	No commercial value
10. Shop No. 558 on Level 2 Zone C Tai Po Mega Mall No. 3 On Pong Road Tai Po New Territories Hong Kong	No commercial value
11. Shop Nos. 427-428 on Level 4 Metroplaza No. 223 Hing Fong Road Kwai Chung New Territories Hong Kong	No commercial value
12. Shop Nos. 2080-2082 on the 2nd Floor of Commercial Accommodation of Tuen Mun Town Plaza Phase I No. 1 Tuen Shing Street and No. 1 Tuen Shun Street Tuen Mun New Territories Hong Kong	No commercial value
13. Shop No. U38 Upper Ground Floor FitFort No. 560 King's Road North Point Hong Kong	No commercial value
14. Shop No. 626 Level 6 of the Commercial Units New Town Plaza (Phase I) No. 18 Sha Tin Centre Street Shatin New Territories Hong Kong	No commercial value

No. Property	Capital value in existing state as at 30 September 2011 HK\$
15. Shop No. 615 on Level 6 Grand Century Place No. 193 Prince Edward Road West Mong Kok Kowloon Hong Kong	No commercial value
16. Shop Nos. 230 and 231 on the 2nd Floor City Landmark I No. 68 Chung On Street Tsuen Wan New Territories Hong Kong	No commercial value
17. Unit 5P019 Terminal 2 Hong Kong International Airport No. 1 Sky Plaza Road Lantau Island New Territories Hong Kong	No commercial value
18. Units A, B, D, F, G and H on the 8th Floor and Unit C on the 6th Floor Hong Kong Industrial Building Nos. 444-452 Des Voeux Road West Hong Kong	No commercial value
19. 26th Floor Pacific Plaza No. 410 Des Voeux Road West Hong Kong	No commercial value
20. Flat C on 6th Floor Lun Fung Court No. 363 Des Voeux Road West Hong Kong	No commercial value
Sub-total:	<u>Nil</u>

Group IV — Property interest rented and occupied by the Group in Macau

No. Property	Capital value in existing state as at 30 September 2011 HK\$
21. Shop No. 2120 Grand Canal Shoppes The Venetian Macao Macao	No commercial value
Sub-total:	<u>Nil</u>

Group V — Property interests rented and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 30 September 2011 HK\$
22. Level 1 No. 44 Nanyang Road Jingan District Shanghai the PRC	No commercial value
23. Room 1603 No. 199 Urumuqi Road North Jingan District Shanghai the PRC	No commercial value
24. Unit 10D Level 10 of No. 24 999 Long Changshou Road Putuo District Shanghai the PRC	No commercial value

No. Property	Capital value in existing state as at 30 September 2011 HK\$	
25. Shop B1-14 Basement Level 1 Kaide Longzhimeng Hongkou Plaza No. 388 Xijiangwan Road Hongkou District Shanghai the PRC	No commercial value	
Sub-total:	<u>Nil</u>	
	Capital value in existing state as at 30 September 2011 HK\$	Capital value attributable to the Group as at 30 September 2011 HK\$
Grand total:	<u>14,830,000</u>	<u>14,830,000</u>

Note:

Subsequent to the date of valuation, the Group entered into 3 Tenancy Agreements with various independent third parties to rent 3 properties in Hong Kong for retail or office purpose. Please refer to pages IV-35 to IV-37.

VALUATION CERTIFICATE

Group I — Property interest owned and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
1.	Flat G on 27th Floor of Tower 25 South Horizons No. 25 Yi Nam Road Hong Kong	The property comprises a residential unit on the 27th floor of a 36-storey residential building completed in 1995. The property has a gross floor area of approximately 947 sq.ft. (87.98 sq.m.) including bay windows of 31 sq.ft. (2.88 sq.m.).	The property is currently occupied by the Group for staff quarters purpose.	8,530,000 100% interest attributable to the Group: HK\$8,530,000
	17/168,000th shares of and in the Remaining Portion of Aplichau Inland Lot No. 121	The property is held under Conditions of Exchange No. UB11998 for a term commencing from 28 January 1988 and expiring on 31 March 2040.		

Notes:

- The registered owner of the property is OTO Bodycare (H.K.) Limited vide Memorial No. UB9196447 dated 1 April 2004 at a consideration of HK\$3,300,000.
- OTO Bodycare (H.K.) Limited is an indirect wholly-owned subsidiary of the Company.
- The property is subject to a Deed of Mutual Covenant vide Memorial No. UB5168423 dated 14 January 1992.
- The property is subject to a Sub-Deed of Mutual Covenant vide Memorial No. UB6294134 dated 1 May 1995 refer to Towers 25-33 and 33A of 33,720 / 168,000 shares.
- The property is subject to an Occupation Permit No. H23/95 vide Memorial No. UB6392959 dated 28 March 1995 refer to Phase IV (Towers 25-28, 32, 33 and 33A) of South Horizons.
- The property is subject to a Certificate of Compliance vide Memorial No. UB6874790 dated 31 December 1996 (remarks: from District Lands Office / Hong Kong South Lands Department To Secan Limited).
- The property is subject to a Mortgage to the extent of all moneys in favour of Hang Seng Bank Limited vide Memorial No. UB9280553 dated 28 June 2004.

VALUATION CERTIFICATE

Group II — Property interest held for investment by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
2.	Office No. 12 on the 19th Floor Hong Kong Plaza No. 188 Connaught Road West Hong Kong	The property comprises a unit on the 19th floor of a 43-storey office building completed in 1983. The property has a gross floor area of approximately 1,192 sq.ft. (110.74 sq.m.).	The property is currently leased to Red Dragon Property Limited, an independent third party, for office purpose. (See Note No. 5 for details)	6,300,000 100% interest attributable to the Group: HK\$6,300,000
	36/15,000th shares of and in Marine Lot No. 289 and Section A of Marine Lot No. 302	The property is held under Government Leases for 75 years commencing from 27 December 1904 renewable for a further term of 75 years for Marine Lot No. 289 and 999 years commencing from 3 September 1903 for Section A of Marine Lot No. 302.		

Notes:

1. The registered owner of the property is OTO Bodycare (H.K.) Limited vide Memorial No. UB7831908 dated 14 July 1999.
2. OTO Bodycare (H.K.) Limited is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to a Deed of Mutual Covenant vide Memorial No. UB2495617 dated 17 October 1983.
4. The property is subject to a Mortgage to the extent of all moneys in favour of Hang Seng Bank Limited vide Memorial No. UB9280549 dated 28 June 2004.
5. Pursuant to a Tenancy Agreement, the property is leased to Red Dragon Property Limited, an independent third party, for a term of 2 years commencing from 1 April 2010 and expiring on 31 March 2012 at a monthly rent of HK\$13,000, inclusive of rates, management fee and air-conditioning charge.

VALUATION CERTIFICATE

Group III — Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
3.	Shop 27D on Level 3 Shatin Plaza Nos. 21-27 Sha Tin Centre Street Shatin New Territories Hong Kong	<p>The property comprises a retail unit on Level 3 of a 3-storey shopping mall completed in 1987.</p> <p>The property has a lettable area of approximately 542 sq.ft. (or 50.35 sq.m.).</p> <p>Pursuant to a Tenancy Agreement dated 19 September 2011, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Bloomark Investment Limited and Lifuoy Investment Limited, two independent third parties as lessors, for a term commencing from 8 December 2010 and expiring on 7 December 2012, at a current monthly rent of HK\$152,000 plus 2% monthly gross receipts, or 15% turnover rent whichever is higher, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owners of the property are Bloomark Investment Limited (77.55% share) and Lifuoy Investment Limited (22.45% share) vide Memorial Nos. ST542668 dated 8 August 1990 and ST604816 dated 10 September 1991 respectively.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
4.	Shop UG068 on Upper Ground Floor Commercial Accommodation of 8 Yan King Road Metro City Phase II Tseung Kwan O Sai Kung New Territories Hong Kong	<p>The property comprises a retail unit on the Upper-ground floor of a 4-storey shopping mall completed in 1999.</p> <p>The property has a lettable area of approximately 52.21 sq.m. (or 562 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 29 December 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Evercot Enterprise Company Limited, Shung King Development Company Limited, Millap Limited, Egeria Investment Limited and Join Fortune Development Limited, independent third parties as lessors, for a term of 2 years commencing from 8 November 2009 and expiring on 7 November 2011, at a current monthly rent of HK\$73,500, and a turnover rent, which is the difference between 10% of the turnover of the lessee's business and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p> <p>As advised by the Group, the Group remains in occupation of the property and is paying the same rent and other payments as those payable under the Tenancy Agreement upon expiry of the original term pending agreement on the terms of the new letting between the lessors and the lessee and signing of formal documentation.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owners of the property are Evercot Enterprise Company Limited, Shung King Development Company Limited, Millap Limited, Egeria Investment Limited and Join Fortune Development Limited (Tenants in Common).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
5.	Shop No. 3316 Level 3 Gateway Arcade Harbour City Tsimshatsui Kowloon Hong Kong	<p>The property comprises a retail unit on Level 3 of a 22-storey commercial building completed in about 1994.</p> <p>The property has a lettable area of approximately 81.94 sq.m. (or 882 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 3 December 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Wharf Realty Limited, an independent third party as lessor, for a term commencing from 1 March 2010 and expiring on 29 February 2012, at a current monthly rent of HK\$203,742, and a percentage rental, which is the difference between 16% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Wharf Realty Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
6.	Shop Nos. 355A & 356 Level 3 Plaza Hollywood Diamond Hill Kowloon Hong Kong	<p>The property comprises two units on Level 3 of a 4-storey shopping mall completed in about 1998.</p> <p>The property has a total lettable area of approximately 54.53 sq.m. (or 587 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 4 May 2009, the property was leased by OTO Bodycare (H.K.) Limited, a wholly-owned subsidiary of the Company as lessee, from Harriman Leasing Limited (leasing representative of the owners), an independent third party as lessor for a term commencing from 18 July 2009 and expiring on 17 July 2012, at a current monthly rent of HK\$73,022.80, and a percentage rental, which is the difference between 15% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Charris Company Limited, Mullein Company Limited, Wettersley Company Limited, Bright Smart Limited and Excellent Base Limited (Tenant in Common).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
7.	Shop Nos. 809-810 8th Floor Times Square Causeway Bay Hong Kong	<p>The property comprises two retail units on the 8th floor of a 12-storey (2 basement levels) shopping mall completed in about 1993.</p> <p>The property has a total lettable area of approximately 71.53 sq.m. (or 770 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 28 April 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Harriman Leasing Limited (leasing representative of the owner), an independent third party as lessor, for a term commencing from 14 November 2009 and expiring on 13 November 2012, at a current monthly rent of HK\$150,920, and a percentage rental, which is the difference between 15% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Times Square Limited (formerly known as Zenuna Limited) vide Memorial No. UB47723708 (re-registered by UB5091251).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
8.	Shop Unit 307B Level 3 Maritime Square Tsing Yi New Territories Hong Kong	<p>The property comprises a retail unit on Level 3 of a 4-storey shopping mall completed in 1998.</p> <p>The property has a lettable area of approximately 64.94 sq.m. (or 699 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 22 June 2010, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from MTR Corporation Limited, an independent third party as lessor, for a term of 3 years commencing from 16 April 2010 and expiring on 15 April 2013, at a current monthly rent of HK\$140,000, plus a turnover rent of 5% of the monthly gross sales turnover, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is MTR Corporation Limited vide Memorial No. TW1357581 dated 2 March 2000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
9.	Shop Unit G55 Level 1 Telford Plaza I Kowloon Bay Kowloon Hong Kong	<p>The property comprises a retail unit on Level 1 of a 2-storey shopping mall completed in about 1981.</p> <p>The property has a lettable area of approximately 102.66 sq.m. (or 1,105 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 24 July 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from MTR Corporation Limited, an independent third party as lessor, for a term of 3 years commencing from 18 July 2009 and expiring on 17 July 2012, at a current monthly rent of HK\$243,042, plus a turnover rent of 5% of the monthly gross sales turnover, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is MTR Corporation Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
10.	Shop No. 558 on Level 2 Zone C Tai Po Mega Mall No.3 On Pong Road Tai Po New Territories Hong Kong	<p>The property comprises a unit on Level 2 of a 2-storey shopping mall completed in 1987.</p> <p>The property has a lettable area of approximately 28.80 sq.m. (or 310 sq.ft.).</p> <p>The property is leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Sun Hung Kai Real Estate Agency Limited (leasing representative of the owner), an independent third party as lessor, for a term of 3 years commencing from 15 November 2010 and expiring on 14 November 2013, at a current monthly rent of HK\$27,500 and an additional rent, which is the difference between 10% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Tainam Holdings Limited vide Memorial No. 05072700810210 dated 6 February 2004.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
11.	Shop Nos. 427-428 on Level 4 Metroplaza No. 223 Hing Fong Road Kwai Chung New Territories Hong Kong	<p>The property comprises two retail units on Level 4 of a 7-storey shopping mall completed in 1992.</p> <p>The property has a total lettable area of approximately 63.55 sq.m. (or 684 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 3 September 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Sun Hung Kai Real Estate Agency Limited (as leasing agent of the owner), an independent third party as lessor, for a term of 2 years commencing from 22 October 2009 and expiring on 21 October 2011, at a monthly rent of HK\$60,192 and an additional rent, which is the difference between 12% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p> <p>As advised by the Group, the shop was closed upon the expiration of the tenancy on 21 October 2011.</p>	The property was occupied by the Group for retail purpose as at the date of valuation.	No commercial value

Note:

The registered owner of the property is Profit Richness Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
12.	Shop Nos. 2080-2082 on the 2nd Floor of Commercial Accommodation of Tuen Mun Town Plaza Phase I No. 1 Tuen Shing Street and No. 1 Tuen Shun Street Tuen Mun New Territories Hong Kong	<p>The property comprises three retail units on the 2nd floor of a 5-storey shopping mall completed in about 1987.</p> <p>The property has a total lettable area of approximately 104.98 sq.m. (or 1,130 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 2 December 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Jade Mate Limited, an independent third party as lessor, for a term of 3 years commencing from 20 November 2009 and expiring on 19 November 2012, at a monthly rent of HK\$192,150 and an additional rent, which is the difference between 10% of the gross sales turnover and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Jade Mate Limited vide Memorial No. TM1071708 dated 18 July 2003.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
13.	Shop No. U38 Upper Ground Floor FitFort No. 560 King's Road North Point Hong Kong	<p>The property comprises a retail unit on the upper ground floor of a 4-storey shopping mall completed in 1979.</p> <p>The property has a lettable area of approximately 50.17 sq.m. (or 540 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 28 April 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Pizzicato Limited, an independent third party as lessor, for a term commencing from 28 February 2009 and expiring on 27 February 2012, at a current monthly rent of HK\$35,244 and a percentage rental, which is the difference between 10% of the gross receipts and the basic rent of that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is National Goal Limited vide Memorial 10011302430128 (re-registered by 10091502490124) dated 17 December 2009, by which the property was assigned by the lessor to the registered owner.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
14.	Shop No. 626 Level 6 of the Commercial Units New Town Plaza (Phase I) No. 18 Sha Tin Centre Street Shatin New Territories Hong Kong	<p>The property comprises a retail unit on Level 6 of an 8-storey (plus 2 basement levels) shopping mall completed in 1984.</p> <p>The property has a lettable area of approximately 37.35 sq.m. (or 402 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 31 July 2009, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Sun Hung Kai Real Estate Agency Limited (leasing representative of the owner), an independent third party as lessor, for a term of 3 years commencing from 9 July 2009 and expiring on 8 July 2012, at a monthly rent of HK\$88,440 and a turnover rental, which is the difference between 15% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Fu Tong Investment Company Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
15.	Shop No. 615 on Level 6 Grand Century Place No. 193 Prince Edward Road West Mong Kok Kowloon Hong Kong	<p>The property comprises a retail unit on Level 6 of a 7-storey shopping arcade completed in about 1997.</p> <p>The property has a lettable area of approximately 28.15 sq.m. (or 303 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 23 August 2010, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Sun Hung Kai Real Estate Agency Limited (leasing representative of the owner), an independent third party as lessor, for a term of 1 year commencing from 19 July 2010 and expiring on 18 July 2011, at a monthly rent of HK\$27,876 and a turnover rental, which is the difference between 12% of the gross receipts and the basic rent for that month, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings. The term of the tenancy has been further extended to 30 November 2011 by two addenda dated 3 May 2011 and 16 September 2011. The shop will be closed upon the expiration of the tenancy.</p>	The property was occupied by the Group for retail purpose as at the date of valuation.	No commercial value

Note:

The registered owner of the property is Kowloon-Canton Railway Corporation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
16.	Shop Nos. 230 and 231 on the 2nd Floor City Landmark I No. 68 Chung On Street Tsuen Wan New Territories Hong Kong	<p>The property comprises two retail units on the 2nd floor of a 25-storey (plus 2 basement levels) commercial building completed in 1996.</p> <p>The property has a total lettable area of approximately 74.97 sq.m. (or 807 sq.ft.).</p> <p>The property is leased by OTO Bodycare (H.K.) Limited, a wholly-owned subsidiary of the Company as lessee, from Shung King Development Company Limited, Join Fortune Development Limited and The Yin Nin Savings, Mortgage & Land Investment Company Limited, independent third parties as lessors, for a term commencing from 1 September 2011 and expiring on 31 August 2013, at a monthly rent of HK\$167,500 or 12% turnover rent, whichever is higher, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owners of the property are Shung King Development Co. Ltd., Join Fortune Development Ltd. and The Yin Nin Savings, Mortgage Loan and Land Investment Co. Ltd. (Tenants in Common).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
17.	Unit 5P019 Terminal 2 Hong Kong International Airport No. 1 Sky Plaza Road Lantau Island New Territories Hong Kong	<p>The property comprises a unit on Level 5 of Terminal 2 of Hong Kong International Airport completed in 2007.</p> <p>The property has a licensed area of approximately 55 sq.m. (or 592.02 sq.ft.).</p> <p>Pursuant to a License Agreement, the property is licensed by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as licensee, from Airport Authority, an independent third party as licensor, for a term commencing from 1 June 2011 and expiring on 31 May 2014, at a monthly rent of HK\$26,600 inclusive of management fees but exclusive of any other outgoing expenses.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Airport Authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
18.	Unit A, B, D, F, G and H on the 8th Floor and Unit C on the 6th Floor Hong Kong Industrial Building Nos. 444-452 Des Voeux Road West Hong Kong	<p>The property comprises a unit on the 6th floor and six units on the 8th floor of a 23-storey industrial building completed in 1981.</p> <p>The property has a total saleable area of approximately 945.28 sq.m. (or 10,175 sq.ft.).</p> <p>Pursuant to various Tenancy Agreements, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from the lessors more particularly stated in note 3 below, all are independent third parties for various term at a total monthly rent of HK\$120,200 with the latest expiry date on 31 July 2012, inclusive of rates and management fee.</p> <p>(Refer to Note No. 3 for tenancy details)</p>	The property is currently occupied by the Group for warehouse and ancillary office purpose.	No commercial value

Notes:

- The registered owner of Unit C on 6th Floor is Koa Hsung Land Investment Company Limited vide Memorial No. UB2099422 dated 29 April 1981.
- The registered owner of Units A, B, D, F, G and H on 8th Floor is Cheng's Estates Limited (鄭氏置業有限公司) (the "Cheng's Estates") vide Memorial No. UB2089718 dated 29 April 1981.
- Pursuant to various Tenancy agreements as follows, the property is leased to OTO Bodycare (H.K.) Limited:

Property	Lessor	Commencement Date	Expiry Date	Saleable Area (sq.ft.)	Monthly Rent (HK\$)
Unit A, 8/F	Cheng's Estates	1 April 2010	31 March 2012	1,485	
Unit B, 8/F	Cheng's Estates	1 July 2010	30 June 2012	1,415	19,000
Unit D, 8/F	Cheng's Estates	1 July 2010	30 June 2012	1,485	19,000
Unit F, 8/F	Cheng's Estates	1 January 2010	31 December 2011	1,410	16,800
Unit G, 8/F	Cheng's Estates	1 January 2011	31 December 2011	1,485	16,800
Unit H, 8/F	Cheng's Estates	1 January 2010	31 December 2011	1,480	16,800
Unit C, 6/F	Koa Hsung Land Investment Company Limited	1 August 2010	31 July 2012	1,415	13,800

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
19.	26th Floor Pacific Plaza No. 410 Des Voeux Road West Hong Kong	<p>The property comprises the whole office unit on the 26th floor of a 30-storey commercial building completed in 1992.</p> <p>The property has a lettable area of approximately 614.83 sq.m. (or 6,618 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 11 August 2011, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company as lessee, from Will Glory Company (CI) Limited, an independent third party as lessor, for a term of 2 years commencing from 15 July 2011 and expiring on 14 July 2013, at a monthly rent of HK\$72,798, exclusive of rates, Government rent, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

The registered owner of the property is Will Glory Company (CI) Limited vide Memorial No. UB6784417 dated 17 September 1996.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HKD</i>
20.	Flat C on 6th Floor Lun Fung Court No. 363 Des Voeux Road West Hong Kong	<p>The property comprises a residential unit on the 6th floor of a 36-storey (plus 1 basement level) residential building completed in 1994.</p> <p>The property has a gross floor area of approximately 526 sq.ft. (48.87 sq.m.)</p> <p>Pursuant to a Tenancy Agreement dated 1 September 2011 and as confirmed by a written confirmation dated 24 October 2011 by Yeo Bee Lian, the property was leased by OTO Bodycare (H.K.) Limited, an indirect wholly-owned subsidiary of the Company, as lessee from Yip Chee Lai Charlie, a Director and connected person, and Yeo Bee Lian (spouse of Yip Chee Lai, Charlie), as lessors for a term of 2 years commencing from 1 June 2011 and expiring on 31 May 2013 by at a monthly rent of HK\$12,000, inclusive of Government rent, rates, management fees but exclusive of all other outgoings.</p>	The property is currently occupied by the Group for staff quarter purpose.	No commercial value

Note:

The registered owners of the property are Yip Chee Lai Charlie and Yeo Bee Lian (Joint Tenants) vide Memorial No. 11063001300022 dated 31 May 2011.

VALUATION CERTIFICATE

Group IV — Property interests rented and occupied by the Group in Macau

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
21.	Shop No. 2120 Grand Canal Shoppes The Venetian Macao Macao	<p>The property comprises a retail unit on Level 3 of a 3-storey (plus 1 basement level) shopping mall completed in about 2007.</p> <p>The property has a floor area of approximately 122.72 sq.m. (or 1,321 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement 14 July 2011, the property was leased to OTO International (Macau) Company Limited, an indirect wholly-owned subsidiary of the Company, as lessee from Venetian Cotai Limited, an independent third party, as lessor for a term of 4 years commencing from 10 November 2007 and expiring on 9 November 2011 at a monthly base fee of HK\$92,470, plus a turnover fee which is equivalent to the amount by which 18% of the turnover in each calendar year exceeds the base fees payable for the property for the same period. As advised by the Group, the term of the tenancy has been renewed for a further term of 3 years with the monthly base fee increased to HK\$125,495.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

The registered owner of the property is Venetian Cotai Limited.

VALUATION CERTIFICATE

Group V — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
22.	Level 1 No. 44 Nanyang Road Jingan District Shanghai the PRC	<p>The property comprises a unit on Level 1 in a residential building completed in about 2008.</p> <p>The property has a lettable area of approximately 28.7 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 3 November 2010, the property was leased to Dainty (Shanghai) Co., Ltd., an indirect wholly-owned subsidiary of the Company, as lessee from Dong Guiqin (董桂琴), an independent third party, as lessor for a term commencing from 4 November 2010 and expiring on 3 November 2011, at a monthly rent of RMB3,200. Pursuant to another Tenancy Agreement dated 4 November 2011, the term of the tenancy has been renewed for a term commencing on 4 November 2011 and expiring on 3 May 2012 at a monthly rent of RMB3,500, exclusive of water, electricity, management fee, broadband and all other outgoings.</p>	The property is currently occupied by the Group for storage purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. The lessor has obtained the certificate of rental public house in Shanghai (《上海市租用居住公房憑證》);
- b. The tenancy agreement is legal, valid and enforceable under the PRC laws; and
- c. The property is used for storage purpose, which does not comply with the designated residential purpose listed in the aforesaid certificate. The occupier may be fined at an amount ranging from RMB10,000 to RMB50,000.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
23.	Room 1603 No. 199 Urumuqi Road North Jingan District Shanghai the PRC	<p>The property comprises a unit on Level 16 of a 24-storey office building completed in about 2003.</p> <p>The property has a lettable area of approximately 47.18 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 16 September 2010, the property was leased to Dainty (Shanghai) Co., Ltd., an indirect wholly-owned subsidiary of the Company, as Tenant from Wu Zhengxin (吳正新), an independent third party, as lessor for a term commencing from 6 November 2010 and expiring on 5 November 2011, at a monthly rent of RMB5,000. Pursuant to another Tenancy Agreement dated 13 October 2011, the term of the tenancy has been renewed for a term commencing on 6 November 2011 and expiring on 5 November 2012 at a monthly rent of RMB6,000, exclusive of water, electricity, broadband and all other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. The lessor has obtained the ownership rights of the property;
- b. The Tenancy Agreement is legal, valid and enforceable under the PRC laws; and
- c. The aforesaid Tenancy Agreement has not been registered with relevant authorities; hence the Group shall not challenge any bona fide third party.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HK\$</i>
24.	Unit 10D Level 10 of No. 24 999 Long Changshou Road Putuo District Shanghai the PRC	<p>The property comprises a unit on Level 10 of a residential building completed in about 2000s.</p> <p>The property has a lettable area of approximately 101.4 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 17 September 2011, the property is leased to Dainty (Shanghai) Co., Ltd., an indirect wholly-owned subsidiary of the Company, as lessee from Cao Yiming (曹一鳴), an independent third party, as lessor for a term of commencing on 19 September 2011 and expiring on 18 September 2012 at a monthly rent of RMB6,300 exclusive of the management fee.</p>	The property is currently occupied by the Group for staff quarters purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. The lessor has obtained the ownership rights of the property; and
- b. The Tenancy Agreement is legal, valid and enforceable under the PRC law.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 <i>HKS</i>
25.	Shop B1-14 Basement Level 1 Kaide Longzhimeng Hongkou Plaza No. 388 Xijiangwan Road Hongkou District Shanghai the PRC	<p>The property comprises a unit on the basement level of a 6-storey (plus 3 basement levels) shopping mall completed in about 2009.</p> <p>The property has a gross floor area of approximately 63 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 4 August 2011, the property is leased by Dainty (Shanghai) Co. Ltd., an indirect wholly-owned subsidiary of the Company, as lessee from Shanghai Yuefeng Zhiye Development Co. Ltd., (上海岳峰置業開發有限公司), an independent third party, as lessor for a term of 2 years commencing from 1 August 2011 and expiring on 31 July 2013 at a monthly rent of RMB28,350, exclusive of management fees, air conditioning, water, gas, electricity charges and all other outgoings.</p>	The property is currently occupied by the Group for retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

- a. The Tenancy Agreement is legal, valid and enforceable under the PRC laws;
- b. As the lessor has not provided any title documents, it cannot be ascertained that the lessor has the right to lease the property; and
- c. The aforesaid Tenancy Agreement has not been registered with relevant authorities; hence the Group shall not challenge any bona fide third party.

VALUATION CERTIFICATE

Property interests rented/to be rented by the Group in Hong Kong after the date of valuation

Property	Description and tenure	Particulars of occupancy
Shop No. 212 on Level 2 East Point City 8 Chung Wa Road Tseung Kwan O New Territories Hong Kong	<p data-bbox="571 454 1114 517">The property comprises a retail unit on level 2 of a 2-storey shopping mall completed in about 1997.</p> <p data-bbox="571 546 1114 609">The property has a lettable area of approximately 338 sq.ft. (or 31.4 sq.m.)</p> <p data-bbox="571 638 1114 1046">Pursuant to an Offer to Lease dated 3 November 2011, the property is to be leased by OTO Bodycare (H.K.) Limited, a wholly-owned subsidiary of the Company, as lessee from the registered owners of the property as lessor for a term of 3 years commencing from 1 January 2012 and expiring on 31 December 2014 (subject to the lessor being able to deliver vacant possession to the lessee) at a monthly rent of HK\$53,000 and a turnover rent, which is the difference between 12% of the gross receipts and the basic rental of that month, exclusive of management fees, air conditioning, water, gas, electricity charges and all other outgoings.</p>	The property is to be used as a retail shop of the Group.

Note:

The registered owners of the property are Chun Wing Investment Company, Limited, Donora Company Limited, Grumete Company Limited, Rainforce Limited, Kam Hoi Development Company Limited and Zindemar Investments Corp. (Tenant In Common) vide Memorial No. 06032900490061 dated 1 March 2006.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy
Shop No. 141 1st Floor Olympian City 2 Olympian City Kowloon Hong Kong	<p>The property comprises a retail unit on the 1st floor of a 3-storey shopping mall completed in about 2000.</p> <p>The property has a lettable area of approximately 647 sq.ft. (or 60.11 sq.m.)</p> <p>Pursuant to an Offer to Lease, the property is to be leased by OTO Bodycare (H.K.) Limited, a wholly-owned subsidiary of the Company, as lessee from MTR Corporation Limited for a term of 3 years commencing from 16 December 2011 and expiring on 15 December 2014 (subject to the lessor being able to deliver vacant possession to the lessee) at a monthly rent of HK\$71,170 and a turnover rent, which is the difference between 10% of the gross sales turnover and the basic rent of that month, exclusive of management fees, air conditioning, water, gas, electricity charges and all other outgoings.</p>	<p>The property is to be used as a retail shop of the Group.</p>

Note:

The registered owner of the property MTR Corporation Limited vide Memorial No. UB8121833 dated 2 March 2000.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy
Unit C on the 8th Floor Hong Kong Industrial Building Nos. 444-452 Des Voeux Road West Hong Kong	<p>The property comprises a unit on the 8th floor of a 23-storey industrial building completed in 1981.</p> <p>The property has a lettable area of approximately 131.46 sq.m. (or 1,415 sq.ft.).</p> <p>Pursuant to a Tenancy Agreement dated 28 October 2011, the property is leased by OTO Bodycare (H.K.) Limited, a wholly-owned subsidiary of the Company as lessee, from Cheng's Estates Limited, an independent third party a lessor, for a term of 2 years commencing from 1 November 2011 and expiring on 30 October 2013 at a monthly rent of HK\$20,000.</p>	<p>The property is currently occupied by the Group for warehouse and ancillary office purposes.</p>

Note:

The registered owner of the property is Cheng's Estates Limited (鄭氏置業有限公司) vide Memorial No. UB2089718 dated 29 April 1981.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix VII to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 25 November 2011. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

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(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
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Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

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- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director,

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deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors

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may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

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(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

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(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions - majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

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At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors

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by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and

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an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

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(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

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(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the

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date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

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(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who

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is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except

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in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

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AND THE CAYMAN ISLANDS COMPANY LAW**

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(I) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for Inspection" in Appendix VII of this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 20 January 2010.

By a resolution passed by the then shareholders of our Company on 21 April 2011, we changed our name from “OTO International Limited” into “OTO Holdings Limited (豪特保健控股有限公司)” (the change of which became effective on 25 May 2011 when the certificate of incorporation of change of name was issued).

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a memorandum of association and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company’s constitution is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

As of the date of incorporation of our Company, the authorised share capital was US\$50,000 divided into 5,000,000 Shares having a par value of US\$0.01 each. On 20 January 2011, one subscriber Share was allotted and issued to H & J Corporate Services (Cayman) Limited. By a resolution passed by the first director of our Company on 11 February 2011, the subscriber Share was transferred to Mr. GK Yip at a consideration of US\$0.01. On the same date, one Share was allotted and issued to Mr. CS Yip at the subscription price of US\$0.01.

On 19 April 2011, each of Mr. CS Yip and Mr. GK Yip transferred the one Share held by him to BSEL at a consideration of US\$0.01 each.

By a resolution passed by the then sole shareholder of the Company (namely, BSEL) on 20 April 2011, the authorised share capital of our Company was increased to US\$100 million (divided into 10,000 million Shares) by the creation of an additional 9,995 million Shares.

On 20 April 2011, our Company acquired 16,252 shares of US\$1 each in OTO BVI (being its entire issued share capital) in consideration of and in exchange for which our Company allotted and issued, credited as fully paid, an aggregate of 91,999,998 Shares to BSEL.

On 26 April 2011, our Company, pursuant to the ICH Pre-IPO Investment Agreement, allotted and issued a total of 8,000,000 Shares (representing 8% of the issued share capital of the Company as enlarged by the allotment of such Shares) at a total consideration of SG\$1,388,000, of which as to 4.5 million Shares were allotted to ICH Group Ltd., 2 million Shares to Aidan Investment Inc. and 1.5 million Shares to Mr. Toe Teow Heng (all being nominated by ICH Advisors as the investors under the ICH Pre-IPO Investment Agreement).

Immediately following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital will remain to be US\$100 million divided into 10,000 million Shares, of which 320 million Shares will be issued fully paid or credited as fully paid, and 9,680 million Shares will remain unissued.

Other than pursuant to the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on 25 November 2011

By resolutions in writing passed by all Shareholders on 25 November 2011, the following resolutions, among others, were duly approved:

- (a) the Articles were approved and adopted;
- (b) conditional on all the conditions set out in “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus being fulfilled:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and to approve the transfer of Shares held by the Selling Shareholders upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise US\$1.40 million standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 140 million Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 25 November 2011 (or as they

may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company and our Directors were authorised to give effect to such Capitalisation Issue;

- (iv) a general mandate (the “Issuing Mandate”) was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue; and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general mandate (the “Repurchase Mandate”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Law, or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the Issuing Mandate pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Group Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalize our Group’s structure in preparation for the listing of the Shares on the Stock Exchange and the Company became the holding company of the Group.

The Reorganisation involved the transfer on 20 April 2011 to the Company by BSEL of an aggregate of 16,252 shares of US\$1 each in the share capital of OTO BVI (representing its entire issued share capital), the intermediate investment holding company of the Group, in consideration of and in exchange for which the Company allotted and issued, credited as fully paid, 91,999,998 Shares to BSEL.

In addition to the transfer of shares in OTO BVI referred to above, our Group also underwent the following corporate restructuring:

- (a) on 7 January 2011, OTO BVI was incorporated in BVI with 50,000 authorised shares of US\$1 each;
- (b) on 20 January 2011, our Company was incorporated in the Cayman Islands as an exempted company under the Companies Law with an authorised share capital of US\$50,000 divided into 5,000,000 Shares of US\$0.01 each;
- (c) on 11 February 2011, one (1) subscriber Share was transferred by its subscriber to Mr. GK Yep at a consideration of US\$0.01 and another one (1) Share was allotted and issued, credited as fully paid up, to Mr. CS Yip at its par value;
- (d) on 17 February 2011, OTO (HK) Investment was incorporated in Hong Kong as a limited liability company, with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, and one (1) share of OTO (HK) Investment was subscribed for by OTO BVI at the incorporation of OTO (HK) Investment;
- (e) on 22 March 2011, OTO BVI, then under the control of the Controlling Shareholders, procured OTO (HK) Investment, being its wholly-owned subsidiary, to acquire from the then shareholders (i.e. the Yip Brothers) the entire registered share capital of OTO Shanghai at a consideration of US\$150,000;
- (f) on 13 April 2011, OTO BVI (then under the control of the Controlling Shareholders) acquired from the Controlling Shareholders (except BSEL), being the then shareholders of each of OTO HK and OTO Macau, the entire issued share capital of each of OTO HK and OTO Macau, in consideration of and in exchange for which OTO BVI allotted and issued (as directed by the Controlling Shareholders (except BSEL)), credited as fully paid up, an aggregate of 16,100 shares in the share capital of OTO BVI to BSEL (among which 15,400 shares and 700 shares in OTO BVI were attributable to the acquisition of the equity interest in OTO HK and OTO Macau respectively). OTO BVI then became a wholly-owned subsidiary of BSEL. Further, the loan in the sum of US\$150,000 extended by BSEL to OTO BVI was capitalized by the issue and allotment of 152 new shares in OTO BVI to BSEL;
- (g) on the same day (i.e. 13 April 2011), (i) in consideration of the Controlling Shareholders (except BSEL) directing OTO BVI to issue to BSEL a total of 16,100 new shares of US\$1 each in OTO BVI mentioned in paragraph (f) above, BSEL issued to the Controlling Shareholders (except BSEL) an aggregate of 16,100 new shares in BSEL having a par value of US\$1 each (credited as fully paid) and (ii) the loan in the sum of US\$150,000 extended

by the Yip Brothers to BSEL was capitalised by BSEL allotting and issuing 152 shares in BSEL to the Yip Brothers in equal share. These BSEL shares were issued to the Controlling Shareholders (except BSEL) having regard to their respective shareholdings in each of OTO HK, OTO Macau and OTO Shanghai and also the net asset value of these companies as at 31 December 2010;

- (h) on 19 April 2011, each of Mr. CS Yip and Mr. GK Yep transferred his one (1) Share to BSEL at a consideration of US\$0.01 each;
- (i) on 20 April 2011, our Company acquired from BSEL an aggregate of 16,252 shares having a par value of US\$1 each in the share capital of OTO BVI, being its entire issued share capital all of which were held by BSEL, in consideration and in exchange for which our Company allotted, issued and credited as fully paid, 91,999,998 Shares to BSEL.
- (j) by a trademark assignment dated 30 June 2011 and made between OTO Singapore (as assignor) and OTO HK (as assignee), all the trademarks owned by OTO Singapore were assigned by OTO Singapore to our Group at a nominal consideration of HK\$1; and
- (k) by a trademark licence agreement dated 30 June 2011 and made between OTO HK (as licensor) on the one part and OTO Singapore and OTO Malaysia (as licensees) on the other part, OTO HK granted to OTO Singapore and OTO Malaysia a non-exclusive and non-transferable licence to use the trademarks (then assigned to OTO HK as mentioned in paragraph (j) above and which are registered in Singapore and Malaysia) for the marketing, sale and/or distribution (and related marketing and promotion activities) in Singapore and Malaysia solely for the purpose of and in connection with (i) the goods which are sourced or purchased from OTO HK or our Company or any of our subsidiaries; and (ii) the health and wellness products/bodycare products which are sourced or purchased from the manufacturers of such products as designated by OTO HK at the own costs of the relevant licensee, and such goods are marketed, sold and/or distributed by OTO Singapore and OTO Malaysia in the said jurisdictions. Under such licence agreement, each licensee is required to pay an annual licence fee of HK\$1 to the licensor during the term of the agreement. The term of the licence agreement is 20 years from the date of such licence agreement, subject to the early termination provisions contained in such agreement. The events which may trigger early termination include breach of any term of the licence agreement by the relevant licensee, or when the licensee becomes unable to pay its debts as they fall due, or when the aggregate holdings of the Yip Brothers in the equity-holdings of the relevant licensee fall below 30%. The licence granted in respect of any particular trademark is provided to expire or be terminated upon the cessation of the registration of such trademark or upon it being disposed of by our Group.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix IA to this prospectus.

Save for the alterations disclosed in the section headed "History, Reorganisation and Corporate Structure" of this prospectus, there is no other alteration in the share capital or registered share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC subsidiary

Our Group owns the entire registered capital of OTO Shanghai established in the PRC. A summary of the corporate information of OTO Shanghai as at the Latest Practicable Date is set out as follows:

- (i) Name of the enterprise: Dainty (Shanghai) Co., Ltd.
- (ii) Economic Nature: Wholly foreign-owned enterprise
- (iii) Legal Representative: Mr. CS Yip
- (iv) Total Investment: US\$10.21 million
- (v) Registered Capital: US\$5.15 million (of which registered capital to the extent of US\$1,152,970 was paid-up (as evidenced by a capital verification report dated 10 November 2011 and OTO Shanghai's business licence dated 23 November 2011). The balance of about US\$4.0 million is required to be contributed on or before 20 September 2013.
- (vi) Attributable interests to our Group: 100%
- (vii) Term of operation: From 25 March 2010 to 24 March 2040
- (viii) Scope of business: wholesale and commission agent (except auction) of healthcare equipment, healthcare electrical equipment, household electrical equipment, water filter, kitchen appliances, export and import of the said products and their related services (except falling under the category of State-owned trade-managed products. If it includes the application of quota and/or certificate of approval of managed-product, application shall be made in accordance to national regulations) (If it involves administrative licenses, to operate with such licences)

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our Shares.

(a) *Relevant legal and regulatory requirements in Hong Kong*

The Listing Rules permit shareholders to grant a general mandate to the directors of a company to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting.

(b) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by all Shareholders on 25 November 2011, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(c) *Source of Funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(d) *Status of repurchased shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) *Connected parties*

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a "connected person" (as defined in the Listing Rules) and a connected person may not knowingly sell his securities to our Company on the Stock Exchange.

(f) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(g) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(h) *General*

The exercise in full of the Repurchase Mandate, on the basis of 320 million Shares in issue immediately after the Listing (assuming that any options that may be granted under the Share Option Scheme are not exercised at all), would result in up to 32.0 million Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at 26/F, Pacific Plaza, 410 Des Voeux Road West, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 16 August 2011. Mr. Charlie Yip, an executive Director, has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the ICH Pre-IPO Investment Agreement dated as of 2 January 2011 and entered into between the Yip Brothers, Mr. Tan Beng Gim, Ms. Chua Siew Hun, ICH Advisors and our Company (then in the process of formation). Pursuant to the ICH Pre-IPO Investment Agreement, ICH Advisors agreed to subscribe for such number of shares in our Company as would represent 8% of the issued share capital as enlarged by the Shares to be issued under such subscription (and before the Global Offering) for an aggregate consideration of SG\$1,388,000, the terms of which are set out more particularly in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investments — ICH Pre-IPO Investment Agreement” of this prospectus;
- (b) the share purchase agreement (“Share Purchase Agreement”) dated 20 April 2011 and entered into between BSEL (as vendor), the Yip Brothers, Mr. Tan Beng Gim and Ms. Chua Siew Han (together as warrantors) and our Company (as purchaser). Pursuant to the Share Purchase Agreement, BSEL transferred to our Company an aggregate of 16,252 shares of US\$1 each in the capital of OTO BVI (representing its entire issued share capital), in consideration and in exchange for which the Company allotted and issued, credited as fully paid 91,999,998 Shares to BSEL;

- (c) the trademark assignment (“Trademark Assignment”) dated 30 June 2011 and entered into between OTO Singapore (as assignor) and OTO HK (as assignee). Pursuant to the Trademark Assignment, the assignor has agreed to assign to OTO HK all its rights, title, benefits and interests of the trademarks (“Trademarks”) as set out in the Trademark Assignment in consideration of HK\$1;

- (d) the trademark licence agreement (“Trademark Licence Agreement”) dated 30 June 2011 and entered into between OTO HK as licensor on the one part, and OTO Singapore and OTO Malaysia (together as the “Licensees”) as licensees on the other part. Pursuant to the Trademark Licence Agreement, OTO HK has granted a non-exclusive and non-transferable licence to each of the Licensees to use certain trademarks as specified therein for the marketing, sale and/or distribution (and related marketing and promotion activities) in Singapore and Malaysia solely for the purpose of and in connection with (i) the goods which are sourced or purchased from OTO HK or our Company or any of our subsidiaries; and (ii) the health and wellness products/bodycare products which are sourced or purchased from the manufacturers of such products as designated by OTO HK at the own costs of the relevant licensee and such goods are marketed, sold and/or distributed by OTO Singapore and OTO Malaysia in the said jurisdictions, and the terms of the Trademark Licence Agreement are more particularly set out in the section headed “Relationship with Controlling Shareholders — Assignment and licensing of certain trademarks owned by our Group” in this prospectus;

- (e) the deed of indemnity dated 25 November 2011 and executed by the Yip Brothers, Mr. Tan Beng Gim, Ms. Chua Siew Hun and BSEL in favour of our Company (for itself and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed “Estate duty, tax and other indemnity” of this Appendix;

- (f) the deed of non-compete undertakings dated 25 November 2011 and executed by each of our Controlling Shareholders in favour of our Company containing certain non-compete undertakings more particularly referred to in the section headed “Relationship with Controlling Shareholders — Non-Compete Undertakings” of this prospectus; and














- (g) the Hong Kong Underwriting Agreement.















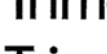
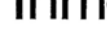



10. Intellectual property rights of our Group

(a) Trademarks

Trademarks registered in the name of our Group members

As at the Latest Practicable Date, our Group members were the registered owner of the following trademarks which were registered in the following jurisdictions:












No.	Trademark	Place of registration	Registration/ Serial no.	Category/ Classification	Validity period
1.		Australia	992148	10	From 5 March 2004 to 5 March 2014
2.		Australia	992147	28	
3.		Australia	992146	35	
4.		Kingdom of Bahrain	46951	10	From 20 February 2006 to 20 February 2016
5.		Kingdom of Bahrain	46952	28	
6.		Kingdom of Bahrain	46953	35	
7.		European Community	4315016	10, 35	From 28 February 2005 to 28 February 2015
8.		Hong Kong	300174951	10, 28, 35	From 10 March 2004 to 10 March 2014
9.		Korea	0015155	10, 28, 35	From 9 February 2006 to 9 February 2016
10.		Korea	0015156	10, 28, 35	From 9 February 2006 to 9 February 2016
11.		Macau	N/014338	10	From 7 July 2004 to 8 October 2018
12.	OTO 豪特保健	Macau	N/014339	35	From 7 July 2004 to 8 October 2018
13.		Philippines	4-2004-002248	10, 28, 35	From 25 December 2006 to 25 December 2016
14.		Philippines	4-2004-002249	10, 28, 35	
















No.	Trademark	Place of registration	Registration/ Serial no.	Category/ Classification	Validity period
15.		Taiwan	01157254	10, 28, 35	From 1 June 2005 to 31 May 2015
16.		Thailand	TM231934	10	} From 23 March 2004 to 22 March 2014
17.		Thailand	TM222771	28	
18.		Thailand	SM28214	35	
19.		Singapore	T0913323G	10, 28, 35	From 18 November 2009 to 18 November 2019
20.		Singapore	T9712218F	10	From 6 October 2007 to 6 October 2017
21.		Singapore	T0403662D	10	} From 5 March 2004 to 5 March 2014
22.		Singapore	T0403664J	28	
23.		Singapore	T0403667E	35	
24.		United Kingdom	2385706	10, 28, 35	From 28 February 2005 to 28 February 2015
25.		Australia	1091451	10	From 20 December 2005 to 20 December 2015
26.		Hong Kong	300543546	10	From 7 December 2005 to 7 December 2015
27.		Singapore	T0505026D	35	} From 4 April 2005 to 4 April 2015
28.		Singapore	T0505025F	10	
29.		Singapore	T0505027B	41	
30.		Thailand	TM249424	10	From 30 December 2005 to 29 December 2015
31.		Hong Kong	300726183	10	From 21 September 2006 to 20 September 2016
32.		Singapore	T0525333E	10	} From 14 December 2005 to 14 December 2015
33.		Singapore	T0525331I	28	








No.	Trademark	Place of registration	Registration/ Serial no.	Category/ Classification	Validity period
34.	FLABÉLOS	Korea	40-0730500	10	From 7 December 2007 to 7 December 2017
35.	FLABÉLOS	Japan	5062480	10	From 22 September 2006 to 13 July 2017
36.	<i>Zoosh</i>	Singapore	T0601076B	28	} From 19 January 2006 to 19 January 2016
37.	<i>Zoosh</i>	Singapore	T0601075D	10	

Trademarks assigned under the Trademark Assignment

Under the trademark assignment dated 30 June 2011 (being the material contract (b) referred to in paragraph headed “Summary of material contracts” above), the following trademarks have been assigned in favour of OTO HK, our Group member:

No.	Trademark	Place of registration	Registration/ Serial No.	Category/ Classification	Validity period
1.		PRC	1010453	28	From 21 May 2007 to 20 May 2017
2.		PRC	1018668	10	From 28 May 2007 to 27 May 2017
3.		PRC	4066262	10	From 14 May 2008 to 13 May 2018
4.		PRC	4066280	35	From 7 February 2008 to 6 February 2018
5.		PRC	4066281	28	From 14 November 2007 to 13 November 2017
6.	 	India	1273352	28	From 18 March 2004 to 18 March 2014
7.	 	India	1273354	35	From 18 March 2004 to 18 March 2014
8.		Indonesia	IDM000054033	28	} From 1 April 2004 to 29 March 2014
9.		Indonesia	IDM000053163	35	

No.	Trademark	Place of registration	Registration/ Serial No.	Category/ Classification	Validity period
10.		Iran	153783	10	From 12 April 2006 to 12 April 2016
11.		Iran	144923	28	
12.		Iran	144773	35	
13.		Kuwait	75380	10	From 27 February 2006 to 26 February 2016
14.		Kuwait	75381	28	
15.		Kuwait	75382	35	
16.		Malaysia	05002930	28	From 28 February 2005 to 28 February 2015
17.		Malaysia	05002931	35	
18.		Kingdom of Saudi Arabia	933/16	10	From 15 March 2006 to 20 November 2015
19.		Kingdom of Saudi Arabia	935/44	28	
20.		Kingdom of Saudi Arabia	955/14	35	
21.		United Arab Emirates	50362	10	From 11 May 2004 to 11 May 2014
22.		United Arab Emirates	50361	28	
23.		United Arab Emirates	50360	35	
24.		Vietnam	64673	10, 28, 35	From 22 March 2004 to 22 March 2014




No.	Trademark	Place of registration	Registration/ Serial No.	Category/ Classification	Validity period
25.		Vietnam	64674	10, 28, 35	From 22 March 2004 to 22 March 2014
26.		Qatar	38725	10	From 23 February 2006 to 23 February 2016
27.		Qatar	38726	28	
28.		Qatar	38727	35	
					
29.	Trimax	Malaysia	05020672	10	From 7 December 2005 to 7 December 2015
30.	Trimax	PRC	5064501	10	From 7 August 2009 to 6 August 2019
31.	Trimax	Indonesia	IDM000134719	10	From 9 January 2006 to 9 January 2016
32.		Malaysia	01014445	10	From 5 November 2001 to 5 November 2011 ^(Note)
33.		PRC	1025915	42	From 7 June 2007 to 6 June 2017
34.	OTO	PRC	8024983	35	From 14 March 2011 to 13 March 2021
35.	OTO	PRC	8024985	10	From 7 June 2011 to 6 June 2021
36.	OTO	PRC	8024984	28	From 28 February 2011 to 27 February 2021
37.	EPHYSIO ePhysio	PRC	8024981	10	From 7 March 2011 to 6 March 2021
38.	EPHYSIO ePhysio	PRC	8024980	28	From 14 March 2011 to 13 March 2021
39.	EPHYSIO ePhysio	PRC	8024979	35	
40.	EPHYSIO ePhysio	PRC	8024978	44	

Note: Application for the renewal of Malaysian trademark (Registration/Serial No. 01014445) has already been submitted to the relevant authority pending approval.

The transfer and registration process of the above trademarks has commenced since the signing of the trademark assignment. In some jurisdictions, the effectiveness of transfer of trademark ownership takes place upon registration of the transfer. Our Group will become the registered owners of the above trademarks after completing the respective transfer and/or registration process.

Trademarks pending registration

As at the Latest Practicable Date, the following trademarks were subjects of the applications for trademark registration and/or renewal applications, which registration has not yet been granted:

No.	Trademark	Place of registration	Application No.	Category/Classification	Date of filing of application
1.		India	1273353	10	18 March 2004
2.		Indonesia	D00.2009.109563	10	24 March 2009
3.		Turkey	2007/33116	10, 28, 35	15 June 2007
4.	EPHYSIO ePhysio	Singapore	T0915044A	10, 28, 35, 44	23 December 2009

The applications of the above trademarks were filed under the name of OTO Singapore. After the approvals of these applications, the above trademarks will be transferred to OTO HK under the terms of the trademark assignment mentioned above and OTO HK will become the registered owners of these trademarks upon completion of the respective transfer and/or registration process.

Classes of trademarks registered or pending registration

The products and/or services under the respective classes above mainly include:

- (i) Class 10 - medical apparatus and instruments; blood pressure monitors; arterial blood measuring apparatus; urine monitors; nebulisers for respiration therapy; medical diagnostic apparatus; medical and therapeutic apparatus for use in exercising, toning muscles or general well-being; furniture for medical and therapeutic purposes; physical exercise apparatus for medical purposes; physiotherapy apparatus; hearing aids for the deaf; massage equipment, namely, massage chairs, rollers for foot massage, massage vibrators, massage apparatus for the eyes; reflexology machines; physiological measuring apparatus for medical use; waist belts for curing back pain; heat packs for therapeutic treatment; electric apparatus for nerve stimulation and massage; step counting apparatus for use in physiotherapy; physical exercise machines for medical purposes; air cushions for medical purposes; air mattresses for medical purposes; air pillow for medical purposes; belts (Orthopaedic [orthopedic]-);

cushions (heating-), electric, for medical purposes; hot air therapeutical apparatus; hot air vibrators for medical purposes; inhalers; sphygmomanometers; sphygmotensimeters; and thermometers for medical purposes; parts and fittings for all the aforesaid goods;

- (ii) Class 28 - sporting and gymnastic articles and apparatus; parts and fittings for all the aforesaid goods;
- (iii) Class 35 - the bringing together, for the benefit of others, of a variety of goods, namely sports, exercise and fitness apparatus, medical, diagnostic, health care, therapeutic and physiotherapy products and health supplements, enabling customers to conveniently view and purchase those goods in a wholesale outlet; retailing services in relation to sports, exercise and fitness apparatus, medical, diagnostic, health care, therapeutic and physiotherapy products and health supplements; direct mail advertising; marketing and promotional services; advertising by mail order publications; arranging and conducting trade shows; advisory services for the business of selling health, fitness and sporting apparatus and equipment; all of the aforementioned services also provided on-line from a computer database, cable medium or via the Internet; providing organised and condensed business information relating to the selection and purchase of items relating to sports, exercise and fitness apparatus, medical, health and therapeutic products by means of global computer information network;
- (iv) Class 41 - arranging and conducting seminars, provisions of instructions and training and its facilities on slimming and health care;
- (v) Class 42 - fitness services or medical services; and
- (vi) Class 44 - Physiotherapy; electro therapy services for physiotherapy; beauty therapy services or treatments; massage services; health care relating to relaxation therapy; heat therapy [medical]; physical therapy; health spa services; medical spa services; beauty salons; aromatherapy services; wellness and health spa services; sauna services; turkish baths; japanese baths; public baths for hygiene purposes; solarium services; sanatoriums; health care; chiropractics; hygiene and beauty care for human beings; hair removal by waxing and manicure services; medical, aesthetic and diagnostic services.

The description of the above classes of goods and/or services under the trademark applications granted in different jurisdictions may vary.

(b) *Domain names*

As at the Latest Practicable Date, OTO HK was the registered holder or assigned to become the registered holder of the following domain names:

Domain name	Expiry Date
oto.com.hk	14 June 2014
oto.hk	15 June 2014
otobodycare.com.hk	17 June 2012
otobodycare.hk.....	15 June 2012
otobodycare.com	23 August 2019

As at the Latest Practicable Date, except as disclosed in this prospectus, there were no trademarks, patents or other intellectual property rights which were material to the business of our Company.

11. Connected transactions and related party transactions

Save as disclosed in the section headed “Connected Transactions” of this prospectus and in note 33 to our consolidated financial statement included in the Accountants’ Report, the text of which is set out in Appendix IA to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**12. Directors**(a) *Disclosure of interests of Directors*

- (i) Each of Mr. CS Yip, Mr. GK Yep, Mr. Charlie Yip and Mr. David Yip is interested in the Reorganisation.
- (ii) Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors’ service contracts**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which he agreed to act as an executive Director for an initial term of three years with effect from 1 December 2011.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 31 March 2013 at the discretion of our Directors of not more than 10% of the annual salary immediately prior to such increase). In addition, each of the executive Directors is also entitled to a discretionary performance incentive bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year (subsequent to the financial year ending 31 March 2012) of our Company may not exceed 5% of the audited consolidated audited net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. In addition, Mr. Charlie Yip is entitled to a revenue-related bonus which is equivalent to a prescribed percentage in the ascending sliding scale in the range between 0.5% and 1.5% of our Group's annual retail revenue (less any retail revenue for that year which is attributable to International Sales and to our Group's operations in the PRC). Mr. David Yip is entitled to a revenue-related bonus which is equivalent to a prescribed percentage in the ascending sliding scale in the range between 0.5% and 2.0% of our Group's annual revenue which is attributable to our Group's International Sales.

An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors, pursuant to their respective service contracts with our Company are as follows:

<u>Name</u>	<u>Annual Salary</u>
	(HK\$)
Mr. CS Yip	3,000,000
Mr. Charlie Yip.....	2,280,000
Mr. David Yip.....	1,380,000

Non-executive Director and independent non-executive Directors

Each of our non-executive Director and our independent non-executive Directors has been appointed for an initial term of three years commencing from 25 November 2011. Mr. GK Yep, our non-executive Director is entitled to a director's fee of HK\$100,000 per annum. Each of our independent non-executive Directors namely, Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang are entitled to a director's fee of HK\$270,000, HK\$220,000 and HK\$220,000 per annum respectively. Save for directors' fees, none of our non-executive Director or independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Remuneration of Directors*

- (i) The aggregate emoluments (including fee, salaries, contributions to pension scheme, housing allowances and other allowances) paid and benefits in kind granted by our Group to our Directors in respect of the three financial years ended 31 March 2009, 2010 and 2011 were approximately HK\$2.4 million, HK\$6.5 million and HK\$3.4 million respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (including fee, salaries, contributions to pension scheme, housing allowances and other allowances but excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 March 2012, are expected to be approximately HK\$7.3 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2011 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2011.

(d) *Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or Shares which may be transferred by the Selling Shareholders upon the exercise of the Over-allotment Option, the interests or short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which

will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name	Capacity	Class and number of securities (Note 1)	Approximate shareholding (%)
Mr. CS Yip (<i>Note 2</i>)	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. GK Yep (<i>Note 2</i>)	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. Charlie Yip (<i>Note 2</i>)....	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Mr. David Yip (<i>Note 2</i>).....	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0

Notes:

- The letter “L” denotes long position of the relevant person/entity in the Shares.
- The Yip Brothers, together with Mr. Tan Beng Gim and Ms. Chua Siew Hun are shareholders of BSEL and their respective shareholdings are shown in the second column below:

Name of holder of shares in BSEL	Approximate shareholding in BSEL (%)
Mr. CS Yip.....	34.6
Mr. GK Yep.....	34.6
Mr. Charlie Yip	9.0
Mr. David Yip	8.0
Mr. Tan Beng Gim.....	6.9
Ms. Chua Siew Hun	6.9

Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of the Controlling Shareholders (excluding BSEL), from 1 April 2008, in the process of decision-making in the shareholders’ meeting of each company in our Group, it was agreed that all decisions must be subject to unanimous decisions of the Controlling Shareholders (excluding BSEL) unless such decisions so made would be in breach of any applicable laws or regulations. (Please see section headed “Controlling Shareholders and Substantial Shareholders” in this Prospectus for details.) By virtue of such arrangements, each of the Controlling Shareholders (including the Yip Brothers) is taken to be interested in any Shares in which BSEL is interested pursuant to section 318 of the SFO.

Subject to any borrowing arrangement which may be effected under the Stock Borrowing Agreement and to the grant by BSEL (among others) of the Over-allotment Option to the Sole Global Coordinator under the International Underwriting Agreement, BSEL will own 207,960,000 Shares immediately following completion of the Global Offering and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the number of Shares to be held by BSEL will be reduced to 200,458,000

13. Interest discloseable under the SFO and substantial Shareholders

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Global Offering or by any Shares which may be transferred upon the exercise of Over-allotment Option or any Shares which may be allotted and issued upon the exercise of any options to be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in the shares, underlying shares or debentures of our Company and our associated corporations” above, the following persons will have an interest or a short position in the Shareholder or underlying Shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part VX of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	Capacity/Nature of interest	Class and number of securities (Note 1)	Approximate shareholding (%)
BSEL (Note 2)	Beneficial owner	207,960,000 Shares (L)	65.0
Ms. Yap Hui Meng (Note 3)	Interest of spouse	207,960,000 Shares (L)	65.0
Ms. Tan Swee Geok (Note 3)	Interest of spouse	207,960,000 Shares (L)	65.0
Ms. Yeo Bee Lian (Note 3)	Interest of spouse	207,960,000 Shares (L)	65.0
Ms. Yeo Lang Eng (Note 3)	Interest of spouse	207,960,000 Shares (L)	65.0
Mr. Tan Beng Gim (Note 4)	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Ms. Lee Lay Hoo (Note 4)	Interest of spouse	207,960,000 Shares (L)	65.0
Ms. Chua Siew Hun (Note 5)	Interest of a controlled corporation and deemed interest	207,960,000 Shares (L)	65.0
Dr. Lim Kim Show (Note 5)	Interest of spouse	207,960,000 Shares (L)	65.0

Notes:

- The letter “L” denotes long position of the relevant person/entity in the Shares.

2. The following persons are shareholders of BSEL and their respective shareholdings are shown in the second column below:

<u>Name of holder of shares in BSEL</u>	<u>Approximate shareholding in BSEL</u>
	(%)
Mr. CS Yip.....	34.6
Mr. GK Yep.....	34.6
Mr. Charlie Yip.....	9.0
Mr. David Yip.....	8.0
Mr. Tan Beng Gim.....	6.9
Ms. Chua Siew Hun.....	6.9

Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of the Controlling Shareholders (excluding BSEL), from 1 April 2008, in the process of decision-making in the shareholders' meeting of each company in our Group, it was agreed that all decisions must be subject to unanimous decisions of the Controlling Shareholders (excluding BSEL) unless such decisions so made would be in breach of any applicable laws or regulations. (Please see section headed "Controlling Shareholders and Substantial Shareholders" in this prospectus for details.) By virtue of such arrangements, each of the Controlling Shareholders (including the Yip Brothers) is taken to be interested in any Shares in which BSEL is interested pursuant to section 318 of the SFO.

Subject to any borrowing arrangement which may be effected under the Stock Borrowing Agreement and to the grant of the Over-allotment Option to the Sole Global Coordinator under the International Underwriting Agreement, BSEL will own 207,960,000 Shares immediately following completion of the Global Offering and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the number of Shares to be held by BSEL will be reduced to 200,458,000

3. Each of Mr. CS Yip, Mr. GK Yep, Mr. Charlie Yip and Mr. David Yip is a shareholder of BSEL and a Director and is deemed under section 318 of the SFO to be interested in the entirety of 207,960,000 Shares owned by BSEL by virtue of the confirmatory agreement mentioned in Note 2 above. Their respective spouses as shown below are therefore deemed under the SFO to be interested in the said Shares in which the respective Directors are deemed to be interested:

<u>Name of Director</u>	<u>Name of spouse</u>
Mr. CS Yip.....	Ms. Yap Hui Meng
Mr. GK Yep.....	Ms. Tan See Geok
Mr. Charlie Yip.....	Ms. Yeo Bee Lian
Mr. David Yip.....	Ms. Yeo Lang Eng

4. Mr. Tan Beng Gim is a shareholder of BSEL and is deemed under section 318 of the SFO to be interested in the entirety of 207,960,000 Shares owned by BSEL by virtue of the confirmatory agreement mentioned in Note 2 above. Ms. Lee Lay Hoon is the spouse of Mr. Tan Beng Gim and is therefore deemed under the SFO to be interested in the said Shares in which Mr. Tan Beng Gim is deemed to be interested.

5. Ms. Chua Siew Hun is a shareholder of BSEL and is deemed under section 318 of the SFO to be interested in the entirety of 207,960,000 Shares owned by BSEL by virtue of the confirmatory agreement mentioned in Note 2 above. Dr. Lim Kim Show is the spouse of Ms. Chua Siew Hun and is therefore deemed under the SFO to be interested in the said Shares in which Ms. Chua Siew Hun is deemed to be interested.

14. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other member of our Group;
- (b) none of our Directors nor any chief executive has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph 23 headed “Qualifications of experts” has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in paragraph 23 headed “Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 23 headed “Qualifications of experts” below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

- (f) save as referred to above, there are no existing or proposed service contracts (excluding contracts expiring or terminable by any member of our Group within one year without payment of compensation other than statutory compensations) between any member of our Group and our Directors; and
- (g) save as disclosed in the section headed “Connected Transactions” in this Prospectus; none of the Directors or their associates or any Shareholder of our Company who to the knowledge of the Directors owns more than 5% of the issued share capital of our Company has any interest in the five largest suppliers or customers of our Company.

OTHER INFORMATION

15. Share Option Scheme

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 25 November 2011:

(i) *Purpose of the scheme*

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to Capitalise on the benefits of the options granted.

(ii) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph headed “Share Option Scheme”, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes or participants, to take up options to subscribe for Shares:

- (aa) any employee (“Eligible Employee”) (whether full-time or part-time including any executive Director but excluding any non-executive Director) of our Company, any of our subsidiaries or any entity (the “Invested Entity”) in which our Group holds an equity interest;

- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to our Group or any member of any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and
- (hh) any other group of classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of Shares available for subscription*

- (aa) The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Group) to be granted under the Share Option Scheme and any other share option

schemes of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Main Board (the “General Scheme Limit”), i.e. the General Scheme Limit will be 32 million Shares.

- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “Individual Limit”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to connected person*

- (aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for Shares and consideration for the option*

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of Shares*

(aa) Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, reclassification or re-construction of the share capital of our Company from time to time.

(x) *Restrictions on the time of grant of options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive

information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange under the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (bb) the last date on which our Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

Our Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Share pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation, which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have at their absolute discretion so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of takeover offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a Capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital or any alteration in the capital structure of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) notwithstanding (i) above, any adjustments as a result of an issue of securities with a price-dilutive element,

such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures and any such adjustment shall comply with the supplementary guidance on Rule 17.03(13) of the Listing Rules as set out in the letter issued by the Stock Exchange dated 5 September, 2005, but no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) *Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised an issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) *Lapse of option*

An option (to the extent not already exercised) shall lapse automatically on the earliest of:

(aa) the expiry of the period referred to in sub-paragraph (vi); and

(bb) the expiry of the periods or dates referred to in sub-paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii).

(xxiv) Others

- (aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares representing the General Scheme Limit to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) *Present status of the Share Option Scheme**(i) Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued, which is expected to be 32,000,000 Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnity

The Yip Brothers, Mr. Tan Beng Gim, Ms. Chua Siew Hun and BSEL (together the “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract (f) referred to in paragraph headed “Summary of material contracts” above, to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, liabilities, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits or gains, earned, accrued or received on or before the Listing Date.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 August 2011;
- (b) to the extent that such taxation or liability for such taxation falling on any of the members of our Group in respect of any accounting period commencing on 1 September 2011 and ended on the Listing Date, where such taxation or liability would not have arise but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 August 2011; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 August 2011 or pursuant to any statement of intention made in this prospectus;
- (c) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, the taxation authority of Macau, the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong, Macau, the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 August 2011 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Pursuant to the deed of indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group (a) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which such member may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the date of Listing, including not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this prospectus or all litigation, arbitration, claims, counter-claims; actions, complaints, demands, judgments and/or legal proceedings by or against any of the companies which was issued, accrued and/or arising from any act of any of such members at any time on or before the date of Listing; and (b) any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings arising from the relocation by such member arising from or in connection with the lessors' lack of relevant title certificates or documents or the lessors' registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the BVI is likely to fall on our Group members.

17. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

18. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$5,000 (equivalent to HK\$38,900) and are payable by our Company.

19. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

20. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting — Underwriting arrangements and expenses — Commission” of this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

21. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. The Sole Sponsor has declared its independence from our Company pursuant to Rule 3A.08 of the Listing Rules that it is independent of our Company pursuant to Rule 3A.07 of the Listing Rules.

22. Shares will be eligible for CCASS

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares.

All necessary arrangements have been made enabling the Shares to be admitted into the CCASS which is established and operated by the HKSCC.

23. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
BOCOM International (Asia) Limited.....	Licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands barristers and attorneys
Chiu & Partners	Solicitors, Hong Kong SAR
Jingtian & Gongcheng.....	Qualified PRC Lawyers
Leong Hon Man Law Office	Qualified Macau Lawyers
Jones Lang LaSalle Sallmanns Limited	Professional property valuer

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in our Group or the right (whether legally enforceable or not) to subscribe for or, to nominate persons to subscribe for securities in any member of the Group.

24. Consents of experts

Each of the experts referred to in the paragraph headed “Qualifications of experts” above has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, or rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

26. Taxation of holders of Shares*(a) Hong Kong*

The sale, purchase and transfer of Shares registered with the Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.2% of the consideration of or of the fair value of, the Shares being sold or transferred, whichever is higher. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

(b) *Cayman Islands*

Under the Cayman Islands law currently in force, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares of exercise of any rights attaching to them.

27. Brief details of the Selling Shareholders

The Selling Shareholders are Brilliant Summit Enterprise Limited, ICH Group Ltd., Aidan Investment Inc. and Mr. Toe Teow Heng. The table below sets out their details and the maximum number of Shares offered for sale upon the exercise of the Over-allotment Option by the sole Global Coordinator:

Name of Selling Shareholders	Date and Place of incorporation	Nature of Business	Registered Office/Address	No. of Sale Shares
BSEL (<i>Note</i>)	Incorporated on 7 January 2011 in BVI with limited liability	Investment holding	Trident Chambers, P.O. Box 146, Road Town, Tortola, BVI	7,502,000
ICH Group Ltd.	Incorporated on 29 October 2007 in BVI with limited liability	Investment holding	Portcullis Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, BVI	2,532,000
Aidan Investment Inc.	Incorporated on 14 January 2011 in BVI with limited liability	Investment holding	Portcullis Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, BVI	1,124,000
Mr. Toe Teow Heng	Not applicable	Not applicable	130 Lorong L Elok Kurau #05-08 Singapore 4255 66 Singapore	842,000
			Total:	12,000,000

Note:

- (1) Each of Mr. CS Yip, Mr. Charlie Yip, Mr. David Yip and Mr. GK Yep is a Director and a shareholder of BSEL. Please refer to section headed “Relationship with Controlling Shareholders — our Controlling Shareholders” for detail.
- (2) Upon the exercise of the Over-allotment Option, the number of Shares offered for sale by BSEL, ICH Group Ltd., Aidan Investment Inc., Mr. Toe Teow Heng will be in the ratio of 62.5%, 21.1%, 9.4% and 7.0%, respectively (to be rounded to the nearest board lot).

28. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within two year preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no founder shares, management shares or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.
- (b) There has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) None of our equity or debt securities is listed or dealt with on any stock exchange or trading system nor is any listing or permission to deal being or proposed to be sought.
- (e) We have no outstanding convertible securities or debentures.

- (f) Subject to the provisions of the Companies Law, the register of members of the Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

29. Dividends

There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

30. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) Copies of the **WHITE, YELLOW, PINK** and **GREEN** Application Forms;
- (b) the statement of particulars of the Selling Shareholders;
- (c) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus; and
- (d) copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 15 December 2011:

- (a) the memorandum of association of the Company and the Articles;
- (b) the audited financial statement of companies comprising our Group for each of the three financial years ended 31 March 2011 and the five months ended 31 August 2011 (or for the period since their respective dates of incorporation of the relevant member of our Group where it is shorter), except for those companies for which there are no statutory audit requirements in the respective jurisdictions of incorporation or establishment;
- (c) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IA to this prospectus;
- (d) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IB to this prospectus;
- (e) the letter prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (f) the letters relating to the profit forecast from Deloitte Touche Tohmatsu and the Sole Sponsor, the texts of which are set out in Appendix III to this prospectus;
- (g) the valuation report (including a letter, a summary of valuation and the valuation certificate) prepared by Jones Lang LaSalle Sallmanns Limited relating to the property interests of our Group, the texts of which are set out in Appendix IV to this prospectus;

- (h) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands law as referred to in Appendix V to this prospectus;
- (i) the legal opinions prepared by the PRC Legal Advisers in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (j) the legal opinion prepared by Leong Hon Man Law Office, the legal advisers to our Company as to Macau law in respect of certain aspects (including property interests) of our Group in Macau;
- (k) the legal opinions prepared by Chiu & Partners, the legal advisers to our Company as to Hong Kong law in respect of certain aspects of our Group in Hong Kong;
- (l) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business of our Company” in Appendix VI to this prospectus;
- (m) the service contracts with the Directors, referred to in the sub-paragraph headed “Particulars of Directors’ service contracts” under the paragraph headed “Further information about Directors and Shareholders” in Appendix VI to this prospectus;
- (n) the written consents referred to in the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” in Appendix VI to this prospectus; and
- (o) the rules of the Share Option Scheme;
- (p) the Companies Law; and
- (q) the statement of particulars of the Selling Shareholders including their names, addresses and descriptions.

