



**OTO Holdings Limited**  
**豪特保健控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 6880



**INTERIM REPORT 2011/2012**

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Yip Chee Seng (*Chairman*)  
Mr. Yip Chee Lai Charlie (*Chief Executive Officer*)  
Mr. Yip Chee Way, David

### Non-executive Director

Mr. Yep Gee Kuarn

### Independent non-executive Directors

Mr. Chan Yip Keung  
Mr. Chung Kin Fai  
Ms. Lo Yee Hang

## JOINT COMPANY SECRETARIES

Mr. Wong Yoon Thim  
Ms. Lim Yi Ping

## AUDIT COMMITTEE

Mr. Chan Yip Keung (*Chairman*)  
Mr. Chung Kin Fai  
Ms. Lo Yee Hang

## REMUNERATION COMMITTEE

Ms. Lo Yee Hang (*Chairman*)  
Mr. Chan Yip Keung  
Mr. Chung Kin Fai

## NOMINATION COMMITTEE

Mr. Chung Kin Fai (*Chairman*)  
Mr. Yep Gee Kuarn  
Ms. Lo Yee Hang

## AUTHORISED REPRESENTATIVES

Mr. Yip Chee Lai, Charlie  
Ms. Lim Yi Ping

## COMPANY WEBSITE

[www.otobodycare.com](http://www.otobodycare.com)

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26th Floor, Pacific Plaza  
410 Des Voeux Road West  
Hong Kong

## 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

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35th Floor, One Pacific Place  
88 Queensway  
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  
The Hongkong and Shanghai Banking Corporation Limited  
DBS Bank (Hong Kong) Limited  
Bank of China (Hong Kong) Limited

## FINANCIAL HIGHLIGHTS

The shares of OTO Holdings Limited (the “Company”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 December 2011 (the “Company’s Listing”).

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2011, together with the comparative figures for the corresponding period in 2010. Unless the context otherwise requires, capitalised terms used in this interim report shall have the same meanings set out in the prospectus of the Company dated 1 December 2011 (the “Prospectus”).

	For the six months ended 30	
	September	
	2011	2010
	(unaudited)	(unaudited)
<b>Profitability data (HK\$'000)</b>		
Revenue	<b>118,190</b>	100,042
Gross profit	<b>79,931</b>	71,607
Operating profit <sup>(Note 1)</sup>	<b>16,978</b>	22,638
Profit attributable to equity shareholders	<b>12,599</b>	18,615
Earnings per share – basic and diluted (HK\$)	<b>0.05</b>	0.09
<b>Profitability ratios (%)</b>		
Gross profit margin	<b>67.6%</b>	71.6%
Operating profit margin	<b>14.4%</b>	22.6%
Margin of profit attributable to equity shareholders	<b>10.7%</b>	18.6%
Effective tax rate	<b>25.0%</b>	16.9%

## FINANCIAL HIGHLIGHTS

	<b>As at 30 September</b>	
	<b>2011</b>	2010
	<b>(unaudited)</b>	(unaudited)
<b>Assets and liabilities data (HK\$'000)</b>		
Bank balances and cash	<b>123,591</b>	125,588
Bank borrowings	<b>6,633</b>	9,639
Net assets	<b>151,663</b>	113,597
<b>Assets and Working Capital ratios/data</b>		
Current ratios (times) <sup>(Note 2)</sup>	<b>4.4</b>	2.4
Gearing ratio (%) <sup>(Note 3)</sup>	<b>3.5%</b>	5.4%
Inventory turnover days (days) <sup>(Note 4)</sup>	<b>35.5</b>	33.5
Trade receivables turnover days (days) <sup>(Note 5)</sup>	<b>27.2</b>	26.6
Trade payables turnover days (days) <sup>(Note 6)</sup>	<b>28.2</b>	22.5

*Notes:*

- Note 1 Operating profit represented profit before finance costs and income tax expenses.
- Note 2 The calculation of current ratios (times) is based on total current assets divided by total current liabilities as at the end of the relevant period.
- Note 3 The calculation of gearing ratio is based on bank borrowings divided by total assets at the end of the period and multiplied by 100%.
- Note 4 The calculation of average inventory turnover days is based on average of the beginning and ending inventory balances, divided by cost of sales for the period and multiplied by the number of days of the relevant period.
- Note 5 The calculation of trade receivables turnover days is calculated based on average of beginning and ending trade receivables balances, divided by revenue for the period and multiplied by the number of days of the relevant period.
- Note 6 The calculation of trade payables turnover days is calculated based on average of beginning and ending trade payables balances, divided by cost of sales for the period and multiplied by the number of days of the relevant period.

## Dear Shareholders,

I am pleased to submit the Group's first interim report as a listed company and share the fruits of our successes with you.

In 2011, the global economy continued to be overshadowed by the deepening of sovereign-debt crisis in the Euro zone, which had in turn affected the general business environment and led to volatility in financial markets. Despite these adverse conditions, the Company pushed ahead with its listing plan. As a market leader of health and wellness products, we firmly believe that our strong market position, solid track record and growth potentials will be fully recognized by investors. Our faith in the Company was echoed by the investment market in December 2011 as the Group went public and recorded 243 times over-subscription in its public offer in Hong Kong. We are very grateful for the tremendous support from investors.

Following the Company's Listing, the Group has immediately proven its investment value with the announcement of 2011 interim results. Withstanding global economic weaknesses, the Group recorded positive growth in revenue and profit during the period under review. For the six months ended 30 September 2011, the Group's revenue increased by 18.1% to HK\$118.2 million as compared to the corresponding period in 2010. The Group's net profit amounting to HK\$12.6 million, after charging one-time initial public offering ("IPO") expenses of HK\$8.9 million. Excluding the expenses relating to and arising in the course of the Company's Listing, the Group achieved a growth of approximately 15.6% in net profit as compared with the corresponding period in 2010. In addition, the Group also made impressive progress in its expansion in the PRC by opening 11 consignment counters during the period. At present, the Group has already established 14 retail outlets in major cities across China, which already contributed to the Group's revenue and profit.

With its successful listing, the Group intends to use the net proceeds of approximately HK\$92.6 million to enhance the brand value of "OTO" and facilitate its business growth, in particular, its penetration into the PRC market. In the next 3 years, the Group will use approximately 49.6% of the net proceeds to set up at least 100 retail stores and consignment counters in major cities mainly in Northern, Central and Southern China which will be our key markets. We will cooperate with foreign-owned department stores that cater to the needs of mid- to high-end consumers so as to tap the increasing demands for health and wellness products in the PRC market, thereby maximizing returns to our shareholders.

I would like to take this opportunity to express our heartfelt thanks to business partners and customers for their enormous support to the Group over the years. In addition, I am also grateful to our employees for their commitment and dedication which helped the Group achieve yet another milestone with the successful listing this year. In the future, we will continue to develop more new products and expand our customer base, pushing our business to new heights and offering even better returns to shareholders of the Company.

## Yip Chee Seng

*Chairman and Executive Director*

Hong Kong, 23 December 2011

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a leading developer and retailer of health and wellness products in Hong Kong under its proprietary “OTO” brand with retail outlets in Hong Kong, the PRC, and Macau. The Group also sells its products to corporate customers and overseas markets. The Group’s proprietary “OTO” brand is a well-known brand in the health and wellness product industry. The Group has received numerous awards and recognitions from various awarding bodies in recognition of its brand, including recognition as a “Superbrand” by Superbrands Hong Kong in 2004 and 2005, awards for “Best Health Care Products” in 2006 and “The Best Massage Products” in 2011 by Capital Magazine. The Group will continue to build and enhance its “OTO” brand by continuing to deliver high-quality health and wellness products and strengthening its market image.

The Group focuses on the design, procurement and marketing of the “OTO” brand and has a large portfolio of health and wellness products which are broadly divided into four categories, namely relaxation products, fitness products, therapeutic products and diagnostic products. The Group 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 year 2010 according to a market study. At present, the Group has a total of 49 models of relaxation products, seven models of fitness products, 11 models of therapeutic products and ten models of diagnostic products, of which, three new relaxation products and two new therapeutic products were launched during the six months ended 30 September 2011 and contributed approximately HK\$40.5 million or 34.3% of its overall revenue during the period. With the continual dedication from its research and development team, the Group will continue to launch new products with new concept, innovative features and advanced designs to cater for the ever changing demand and preferences of its customers.

At present, the Group has diversified sales channels with a wide geographical coverage, which enables the Group to integrate a full range of “OTO” products, to cater to the spending power and habits of different consumers in Hong Kong, the PRC and Macau. The Group’s diversified sales channels include (i) traditional sales channels such as retail stores and consignment counters; and (ii) proactive sales channels such as roadshow counters, corporate sales and international sales. Under the traditional sales channels, the Group had 14 retail stores and 16 consignment counters in Hong Kong, 11 consignment counters in the PRC and one retail store and 2 consignment counters in Macau during the six months ended 30 September 2011. In addition to its retail outlets, the Group also conducts roadshows in different departmental stores and shopping malls in Hong Kong, the PRC and Macau where customers may purchase its products. Furthermore, the Group sells its products to corporate customers such as financial institutions, retail chain stores and professional bodies, the revenue generated from which is categorized as corporate sales, and exports its products to international customers for their distribution in the overseas markets including United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary, the revenue generated from which is categorized as international sales.

Leveraging on its established brand name and its design and development capabilities, the Group seeks to further expand its sales network to cover additional geographical areas, and in particular, the market in the PRC. With the receipt of net proceeds from the Global Offering in December 2011, the Directors intend to apply approximately 71.2% or HK\$65.9 million for the expansion of its PRC operation including HK\$45.9 million in opening at least 100 retail outlets for the three years ending 31 March 2014 as well as HK\$20.0 million in advertising and promotional activities in the PRC. The Group will also seek to expand the range of its health and wellness products and better cater to a wider and more diverse customer base by continuing to develop new products.

The Group's results of operations and financial conditions have been and will continue to be affected by a number of factors, including (i) general economic conditions in regions which it operates its businesses; (ii) its ability to anticipate and respond to rapid changes in consumer preferences and demand in health and wellness equipment market; (iii) its ability to effectively maintain or enhance its brand value; (iv) its ability to continuously enhance the design and development capability; (v) reliance on its major suppliers; (vi) increase in rental expenses and consignment fees; and (vii) taxation.

The following discussion is based on, and should be read in conjunction with, the financial information and the notes thereto included in this interim report.

## RESULTS OF OPERATION

The Group continued to benefit from the increasing recognition of its brand and health and wellness products, and the rapid expansion of the retail sales networks. During the six months ended 30 September 2011, the Group recorded a revenue of HK\$118.2 million and achieved a growth of approximately 18.1% as compared with the revenue for the corresponding period in 2010. During the six months ended 30 September 2011, the Group's net profit amounted to HK\$12.6 million, after charging one-time initial public offering ("IPO") expenses of HK\$8.9 million during the six months ended 30 September 2011, as compared with the net profit of HK\$18.6 million in the corresponding period in 2010. Excluding the one-time IPO expenses which amounted to HK\$8.9 million during the six months ended 30 September 2011, the Group achieved a growth of approximately 15.6% in its net profit as compared with the net profit in corresponding period in 2010.

### Revenue

The Group's revenue, which represents the amount received or receivable for the sales of health and wellness products, net of sale related taxes, increased by HK\$18.1 million or approximately 18.1% to HK\$118.2 million for the six months ended 30 September 2011 from HK\$100.0 million for the six months ended 30 September 2010, primarily as a result of the following:

### Sales of health and wellness products

	For the six months ended 30 September					
	2011		2010		Increase/(Decrease)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
Relaxation products	77,546	65.6	84,335	84.3	(6,789)	(8.1)
Fitness products	18,166	15.4	11,044	11.0	7,122	64.5
Therapeutic products	20,800	17.6	2,750	2.8	18,050	656.4
Diagnostic products	1,678	1.4	1,913	1.9	(235)	(12.3)
<b>Total</b>	<b>118,190</b>	<b>100.0</b>	100,042	100.0	18,148	18.1



## MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from the sales of the Group's fitness products and therapeutic products increased by HK\$7.1 million or approximately 64.5% and HK\$18.1 million or approximately 656.4%, respectively, for the six months ended 30 September 2011, as compared with the corresponding period in 2010. These increases in revenue were primarily due to the launch of a fitness product, OTO e-Cruncher in September 2010 and the launch of a therapeutic product, OTO e-Physio in April 2011. These increases in revenue were partially offset by the decrease in revenue from relaxation products by HK\$6.8 million or approximately 8.1%. There were no significant changes in the revenue from Diagnostic products during the period as compared with the corresponding period in 2010.

### Sales performance of sales channels

	For the six months ended 30 September					
	2011		2010		Increase/(Decrease)	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	%
Retail stores	48,629	41.1	45,280	45.2	3,349	7.4
Consignment counters	41,362	35.0	39,609	39.6	1,753	4.4
Roadshow counters	3,506	3.0	2,817	2.8	689	24.4
Corporate sales	12,117	10.3	8,174	8.2	3,943	48.2
International sales	12,576	10.6	4,162	4.2	8,414	202.2
<b>Total</b>	<b>118,190</b>	<b>100.0</b>	100,042	100.0	18,148	18.1

The revenue from the Group's international sales increased by HK\$8.4 million or approximately 202.2%, which was primarily due to the increase in sales to its international customers during the six months ended 30 September 2011. The revenue from the Group's corporate sales, retail stores and consignment counters also increased by HK\$3.9 million or approximately 48.2%, HK\$3.3 million or approximately 7.4% and HK\$1.8 million or approximately 4.4%, respectively, for the six months ended 30 September 2011. The increase in corporate sales was primarily due to the sales to a leading chain operator in Hong Kong, sales to a leading retail chain operator in the PRC and also sales to a financial institution in Hong Kong.

### Other income

Other income for the six months ended 30 September 2011 was HK\$2.7 million, an increase of HK\$0.5 million or approximately 24.3%, from HK\$2.2 million for the six months ended 30 September 2010. The increase was primarily due to increase in other service income, sundry income, delivery income and repair income.

### Other gains and losses

Other gains for the six months ended 30 September 2011 was HK\$1.1 million, an increase of HK\$0.7 million or approximately 192.7%, from HK\$0.4 million for the six months ended 30 September 2010. The increase was primarily due to a gain from the disposal of a residential property which amounted to approximately HK\$1.2 million during the current period.

## Changes in inventories of finished goods

Changes in inventories of finished goods for the six months ended 30 September 2011 were HK\$1.2 million as compared with HK\$(0.1) million for the six months ended 30 September 2010.

## Finished goods purchased

Finished goods purchased for the six months ended 30 September 2011 was HK\$37.9 million, representing an increase of HK\$10.8 million, or approximately 39.6% from HK\$27.1 million for the six months ended 30 September 2010. The increase was in line with the increase in overall revenue.

## Gross profit

The Group's gross profit increased by HK\$8.3 million or approximately 11.6% to HK\$79.9 million for the six months ended 30 September 2011 from HK\$71.6 million for the six months ended 30 September 2010. The Group's gross profit margin decreased from approximately 71.6% for the six months ended 30 September 2010 to approximately 67.6% for the six months ended 30 September 2011, primarily due to changes in sales channel mix during the period, whereby the Group's international sales, which generated comparatively lower gross profit margin, contributed higher revenue as a whole to the overall revenue of the Group.

## Staff costs

Staff costs for the six months ended 30 September 2011 were HK\$15.8 million, representing an increase of HK\$1.6 million, or approximately 11.6%, from HK\$14.2 million for the six months ended 30 September 2010. The increase in staff costs was in line with the increase in the Group's overall revenue as well as the increase in its overall staff strength.

## Depreciation and amortization expenses

Depreciation and amortization expenses for the six months ended 30 September 2011 was HK\$0.7 million, which remained relatively stable from that of the corresponding period in 2010.

## Finance costs

Finance costs for the six months ended 30 September 2011 was HK\$0.2 million, which remained relatively stable from that of the corresponding period in 2010.

## Other expenses

Other expenses for the six months ended 30 September 2011 was HK\$51.9 million, an increase of HK\$14.1 million or approximately 37.4%, from HK\$37.7 million for the six months ended 30 September 2010. The increase is primarily attributable to various items, including an increase of approximately HK\$8.9 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), an increase of approximately HK\$0.9 million in rent, rates and building management fee for retail stores at shopping malls as a result of higher revenue, an increase of approximately HK\$0.7 million in commissions paid to consignment counters at department stores due to revenue generated from consignment counters in the PRC, and an increase of approximately HK\$0.3 million in freight and transportation expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit before tax

Profit before tax for the six months ended 30 September 2011 was HK\$16.8 million, a decrease of HK\$5.6 million or approximately 25.0%, from HK\$22.4 million for the six months ended 30 September 2010 as a result of the factors described above.

### Income tax expenses

Income tax expense for each of the periods ended 30 September 2010 and 2011 was approximately HK\$3.8 million and HK\$4.2 million, respectively, representing an effective tax rate of approximately 16.9% and 25.0%, respectively. The increase in effective tax rate for the six months ended 30 September 2011 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 period

As a result of the factors described above, the Group's profit for the six months ended 30 September 2011 was HK\$12.6 million, a decrease of HK\$6.0 million or approximately 32.3% from HK\$18.6 million for the six months ended 30 September 2010. The Group's net profit margin was approximately 10.7% for the six months ended 30 September 2011, a decrease of 7.9% from approximately 18.6% for the six months ended 30 September 2010.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had HK\$123.6 million (as compared with HK\$108.2 million as at 31 March 2011) in cash and cash equivalent. The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are mainly held in HKD, RMB and SGD denominated accounts with banks in Hong Kong and Macau. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

### Operating activities

Net cash generated from operating activities was approximately HK\$7.1 million for the six months ended 30 September 2011, primarily reflecting the Group's operating cash flows before movements in working capital of approximately HK\$16.2 million, as adjusted by a HK\$3.0 million increase in trade and other receivables, a HK\$1.3 million decrease in amount due to a related party and tax payment amounted to HK\$3.2 million during the period.

### Investing activities

Net cash from investing activities was approximately HK\$6.7 million for the six months ended 30 September 2011, as compared with net cash used in investing activities of HK\$1.8 million for the six months ended 30 September 2010, which was primarily due to proceeds from disposals of property, plant and equipment of HK\$2.9 million, proceeds from redemption of investments at fair value through profit and loss of HK\$2.0 million and repayment from related parties of HK\$1.0 million during the period.

### Financing activities

Net cash from financing activities was approximately HK\$1.5 million for the six months ended 30 September 2011, as compared with HK\$8.5 million used in financing activities for the six months ended 30 September 2010, which was primarily due to cash receipt from issuance of new shares amounted to approximately HK\$8.3 million, a decrease in trust receipts loans of approximately HK\$5.5 million and repayment of bank loans amounted to approximately HK\$1.0 million during the period.

### BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 September 2011 was HK\$6.6 million with effective interest rate ranging from 1.9% to 4.8% per annum. The Group's gearing ratio decreased from approximately 7.6% as at 31 March 2011 to approximately 3.5% as at 30 September 2011, which was primarily due to a decrease of HK\$6.5 million in bank borrowings from HK\$13.1 million as at 31 March 2011 to HK\$6.6 million as at 30 September 2011.

### WORKING CAPITAL

As at 30 September 2011, the net working capital of the Group was HK\$130.0 million, representing an increase of HK\$25.0 million or approximately 23.8% as compared with 31 March 2011.

As at 30 September 2011, the Group's inventories increased by HK\$1.2 million to HK\$8.1 million from HK\$6.9 million as at 31 March 2011 which was in line with the increase in revenue. The inventory turnover period was 35.5 days as at 30 September 2011 as compared with 33.5 days as at 31 March 2011. The increase in inventory turnover days as at 30 September 2011 was attributable to the new products launched during the six months ended 30 September 2011.

As at 30 September 2011, the Group's account receivables increased by HK\$7.0 million to HK\$21.2 million from HK\$14.2 million as at 31 March 2011 as a result of increase in the Group's international sales, corporate sales and revenue from consignment counters. The average account receivables turnover days was 27.2 days, representing an increase of approximately 1.7 days from 25.5 days as at 31 March 2011 which was attributable to increase in international sales and corporate sales where certain credit terms were granted to these customers.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2011, the Group's account payables increased by HK\$4.9 million to HK\$8.4 million from HK\$3.5 million as at 31 March 2011 which was attributable to the increase in credit period for purchases from certain suppliers. Accordingly, the account payables turnover days as at 30 September 2011 increased from 19.3 days as at 31 March 2011 to 28.2 days as at 31 September 2011.

### CAPITAL EXPENDITURE

During the six months ended 30 September 2011, the Group's total capital expenditure amounted to approximately HK\$0.3 million, which was used in the acquisition of property, plant and equipment.

### CHARGE ON ASSETS

As at 30 September 2011, the Group had pledged certain assets, including leasehold land and buildings, investment properties, bank deposits and certain financial instruments which in aggregate amounted to approximately HK\$17.7 million for the purpose of securing certain banking and other facilities.

### SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

During the six months ended 30 September 2011, there were no significant investment, material acquisition and disposals of subsidiaries by the Company other than those which formed part of the Group's reorganization, as more fully explained in the Prospectus. The Group has no plan to make any substantial investment in or acquisition of capital assets saved as disclosed in the section headed "Future Plans and Uses of Proceeds" in the Prospectus.

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2011 and 31 March 2011.

### FOREIGN EXCHANGE RISK MANAGEMENT

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.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2011, the Group had a total number of 153 (125 as at 31 March 2011) full-time employees. The Group determined the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff. The Group provides a defined contribution of mandatory provident fund for its employees in Hong Kong, and provides all employees in the PRC and Macau with welfare schemes as required by the applicable local laws and regulations. During the six months ended 30 September 2011, no share option was granted to employees.

## STRATEGIES AND PROSPECTS

The Group will continue to maintain and strengthen its competitive strengths to increase its market share and profitability. The Directors plan to implement the following strategies (i) to expand the Group's sales network to cover additional geographical areas, in particular, the market in the PRC; (ii) further expand and diversify the Group's product offerings; (iii) continue to enhance its "OTO" brand value; (iv) further enhance its management information systems to support its growth and lower its costs; and (v) selectively pursue strategic alliances and acquisition opportunities.

With the Company's Listing on 13 December 2011 and the receipt of proceeds, net of the listing expenses, of approximately HK\$92.6 million from the Global Offering, the Company has sufficient resources to expand the Group's sales network, improve its product range and bring value to its shareholders. The Directors currently intend to apply the net proceeds as follows:

- 1) approximately 49.6% or HK\$45.9 million will be used for the expansion of the Group's PRC operations including the opening of at least 100 retail outlets for the three years ending 31 March 2014
- 2) approximately 21.6% or HK\$20.0 million will be used for advertising and promotional activities in the PRC;
- 3) approximately 11.6% or HK\$10.7 million will be used to renovate and redecorate the Group's existing retail outlets in Hong Kong and Macau;
- 4) approximately 8.6% or HK\$8.0 million will be used to enhance the Group's research and development capability; and
- 5) approximately 8.6% or HK\$8.0 million will be used for upgrading the Group's information systems in Hong Kong, the PRC, and Macau.

Save for matters disclosed above, the information in relation to matters set out in paragraph 32 under Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") has not changed materially from the information disclosed in the Prospectus.

## DISCLOSURE OF INTERESTS

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Since the Company was only listed on the Stock Exchange on 13 December 2011, no disclosure of interests or short positions of any directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were made to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO as at 30 September 2011.

As extracted from the Prospectus, upon the Company's Listing on 13 December 2011, without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (as defined below), the interests or short positions of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were 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 entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows :

#### (i) Interests in the Shares

Name of Director	Capacity /Nature of Interest	Long/Short position	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Yip Chee Seng (note 1)	Interest of controlled corporation and deemed interest	Long position	207,960,000 (note 2)	65.0%
	Interest of controlled corporation and deemed interest	Short position	7,502,000 (note 3)	2.3%
Mr. Yip Chee Lai Charlie (note 1)	Interest of controlled corporation and deemed interest	Long position	207,960,000 (note 2)	65.0%
	Interest of controlled corporation and deemed interest	Short position	7,502,000 (note 3)	2.3%

## DISCLOSURE OF INTERESTS

Name of Director	Capacity /Nature of Interest	Long/Short position	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Yip Chee Way David (note 1)	Interest of controlled corporation and deemed interest	Long position	207,960,000 (note 2)	65.0%
	Interest of controlled corporation and deemed interest	Short position	7,502,000 (note 3)	2.3%
Mr. Yep Gee Kuarn (note 1)	Interest of controlled corporation and deemed interest	Long position	207,960,000 (note 2)	65.0%
	Interest of controlled corporation and deemed interest	Short position	7,502,000 (note 3)	2.3%

### Notes :

- Mr. Yip Chee Seng, Mr. Yip Chee Lai Charlie, Mr. Yip Chee Way David and Mr. Yep Gee Kuarn, together with Mr. Tan Beng Gim and Ms. Chua Siew Hun, are the beneficial owners of the issued share capital of Brilliant Summit Enterprise Limited ("BSEL") which held 195,960,000 Shares and which was entitled to be returned 12,000,000 Shares which had been transferred by BSEL to the Sole Global Coordinator (as borrower) pursuant to the Stock Borrowing Agreement (as defined in the Prospectus and further detailed in note 2 below). Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of them, 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 decision of them unless such decisions so made would be in breach of any applicable laws or regulations. By virtue of such arrangements, each of Mr. Yip Chee Seng, Mr. Yip Chee Lai Charlie, Mr. Yip Chee Way David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is taken to be interested in any Shares in which BSEL is interested pursuant to section 318 of the SFO.
- Pursuant to the Stock Borrowing Agreement, the Sole Global Coordinator (as defined in the Prospectus) borrowed 12,000,000 Shares from BSEL for the purpose of covering over allocation in the International Offering (as defined in the Prospectus). Under the Stock Borrowing Agreement, such 12,000,000 Shares will be returned to BSEL no later than three business days following the earlier of (i) last day for exercising the Over-allotment Option (as defined in the Prospectus); 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.
- Under the international underwriting agreement dated 6 December 2011, BSEL and other Selling Shareholders granted the Over-allotment Option (as defined in the Prospectus) to the Sole Global Coordinator (as defined in the Prospectus), pursuant to which the Selling Shareholders may be required to sell up to a total of 12,000,000 Shares (of which BSEL may be required to sell up to 7,502,000 Shares) upon the exercise of the Over-allotment Option.



## DISCLOSURE OF INTERESTS

### (ii) Interests in associated corporations

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Yip Chee Seng	BSEL	5,619	34.6%
Mr. Yip Chee Lai Charlie	BSEL	1,468	9.0%
Mr. Yip Chee Way David	BSEL	1,314	8.0%
Mr. Yep Gee Kuarn	BSEL	5,619	34.6%

Note: The interests in the shares of BSEL above are all long positions.

Save as disclosed above, to the best knowledge of the Directors, as at 13 December 2011, none of the Directors and chief executive of the Company had any interest and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### **INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

Since the Company was only listed on the Stock Exchange on 13 December 2011, no disclosure of interests or short positions in any Shares or underlying Shares of the Company were made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2011.

## DISCLOSURE OF INTERESTS

As extracted from the Prospectus, upon the Company's Listing on 13 December 2011, so far as the Directors are aware, without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (as defined below), the following persons (other than a Director or chief executive of the Company), who had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows :

Name of Shareholder	Capacity /Nature of Interest	Long/Short position	Number of Shares	Approximate percentage of shareholding in the Company
BSEL (note 1)	Beneficial owner	Long position	207,960,000 (note 2)	65.0%
	Beneficial owner	Short position	7,502,000 (note 3)	2.3%
Ms. Yap Hui Meng (note 4)	Interest of spouse	Long position	207,960,000 (note 2)	65.0%
	Interest of spouse	Short position	7,502,000 (note 3)	2.3%
Ms. Tan Swee Geok (note 4)	Interest of spouse	Long position	207,960,000 (note 2)	65.0%
	Interest of spouse	Short position	7,502,000 (note 3)	2.3%
Ms. Yeo Bee Lian (note 4)	Interest of spouse	Long position	207,960,000 (note 2)	65.0%
	Interest of spouse	Short position	7,502,000 (note 3)	2.3%
Ms. Yeo Lang Eng (note 4)	Interest of spouse	Long position	207,960,000 (note 2)	65.0%
	Interest of spouse	Short position	7,502,000 (note 3)	2.3%
Mr. Tan Beng Gim (note 1)	Interest of controlled corporation and deemed interest	Long position	207,960,000 (note 2)	65.0%
	Interest of controlled corporation and deemed interest	Short position	7,502,000 (note 3)	2.3%
Ms. Lee Lay Hoon (note 4)	Interest of spouse	Long position	207,960,000 (note 2)	65.0%
	Interest of spouse	Short position	7,502,000 (note 3)	2.3%

## DISCLOSURE OF INTERESTS

Name of Shareholder	Capacity /Nature of Interest	Long/Short position	Number of Shares	Approximate percentage of shareholding in the Company
Ms. Chua Siew Hun (note 1)	Interest of controlled corporation	Long position	207,960,000 (note 2)	65.0%
	Interest of controlled corporation and deemed interest	Short position	7,502,000 (note 3)	2.3%
Dr. Lim Kim Show (note 4)	Interest of spouse	Long position	207,960,000 (note 2)	65.0%
	Interest of spouse	Short position	7,502,000 (note 3)	2.3%

### Notes :

- Mr. Yip Chee Seng, Mr. Yip Chee Lai Charlie, Mr. Yip Chee Way David and Mr. Yep Gee Kuarn, together with Mr. Tan Beng Gim and Ms. Chua Siew Hun, are the beneficial owners of the issued share capital of BSEL which held 195,960,000 Shares and which was entitled to be returned 12,000,000 Shares which had been transferred by BSEL to the Sole Global Coordinator (as borrower) pursuant to the Stock Borrowing Agreement (as defined in the Prospectus and further detailed in note 2 below). Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of them, 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 decision of them unless such decisions so made would be in breach of any applicable laws or regulations. By virtue of such arrangements, each of Mr. Yip Chee Seng, Mr. Yip Chee Lai Charlie, Mr. Yip Chee Way David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is taken to be interested in any Shares in which BSEL is interested pursuant to section 318 of the SFO.
- Pursuant to the Stock Borrowing Agreement, the Sole Global Coordinator (as defined in the Prospectus) borrowed 12,000,000 Shares from BSEL for the purpose of covering over allocation in the International Offering (as defined in the Prospectus). Under the Stock Borrowing Agreement, such 12,000,000 Shares will be returned to BSEL no later than three business days following the earlier of (i) last day for exercising the Over-allotment Option (as defined in the Prospectus); 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.
- Under the international underwriting agreement dated 6 December 2011, BSEL and other Selling Shareholders granted the Over-allotment Option (as defined in the Prospectus) to the Sole Global Coordinator (as defined in the Prospectus), pursuant to which the Selling Shareholders may be required to sell up to a total of 12,000,000 Shares (of which BSEL may be required to sell up to 7,502,000 Shares) upon the exercise of the Over-allotment Option.
- Each of Mr. Yip Chee Seng, Mr. Yip Chee Lai Charlie, Mr. Yip Chee Way David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is a shareholder of BSEL and is deemed under the SFO to be interested in the long position and short position owned by BSEL pursuant to the confirmatory agreement as mentioned in note 1 above. Their respective spouses, being Ms. Yap Hui Meng, Ms. Tan Swee Geok, Ms. Yeo Bee Lian, Ms. Yeo Lang Eng, Ms. Lee Lay Hoon and Dr. Lim Kim Show, are therefore deemed under the SFO to be interested in the said long position and short position in which each of them are deemed to be interested.

Save as disclosed above, the Directors are not aware of any persons (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register kept by the Company under the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote all circumstances at general meetings of any member of the Group as at 13 December 2011.

### SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purpose of recognizing and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorized to grant options to subscribe for shares of the Company and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the Prospectus), being 32,000,000 Shares, excluding any options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Details of the Share Option Scheme are set forth in the Prospectus.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2011.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the requirements of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). Since the Company was only listed on the Stock Exchange on 13 December 2011, the Corporate Governance Code was not applicable to the Company for the six months ended 30 September 2011.

However, none of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not, for any part of the period between the date of the Company's Listing and the date of this report in due compliance with the code provisions of the Corporate Governance Code.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Since the Company was only listed on the Stock Exchange on 13 December 2011, the Model Code was not applicable to the Company for the six months ended 30 September 2011. However, having made specific enquiry of all Directors, all Directors confirmed that all dealings in the Company's securities were disclosed in the Prospectus and they have complied with the required standard set out in the Model Code since the Company's Listing.

## AUDIT COMMITTEE

The Company has established the audit committee and adopted the written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The audit committee comprises all independent non-executive Directors, namely, Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang. Mr. Chan Yip Keung is the chairman of the audit committee.

The Group's interim results for the six months ended 30 September 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee recommended the Board to adopt the same.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Company was only listed on the Stock Exchange on 13 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended 30 September 2011.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



## TO THE BOARD OF DIRECTORS OF OTO HOLDINGS LIMITED

### INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 40, which comprises the condensed consolidated statement of financial position of OTO Holdings Limited (the "Company") and its subsidiaries as of 30 September 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, 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.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 December 2011

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	NOTES	Six months ended	
		2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	<b>118,190</b>	100,042
Other income		<b>2,745</b>	2,209
Other gains and losses	5	<b>1,089</b>	372
Changes in inventories of finished goods		<b>1,223</b>	(103)
Finished goods purchased		<b>(37,895)</b>	(27,136)
Staff costs		<b>(15,848)</b>	(14,198)
Depreciation and amortisation expense		<b>(672)</b>	(799)
Finance costs	6	<b>(171)</b>	(243)
Other expenses		<b>(51,854)</b>	(37,749)
Profit before tax	7	<b>16,807</b>	22,395
Income tax expense	8	<b>(4,208)</b>	(3,780)
Profit for the period		<b>12,599</b>	18,615
Other comprehensive (expense) income:			
Fair value (loss) gain on available-for-sale investments		<b>(102)</b>	22
Exchange difference arising on translation		<b>40</b>	—
		<b>(62)</b>	22
Total comprehensive income for the period		<b>12,537</b>	18,637
Earnings per share - Basic (HK\$)	10	<b>0.05</b>	0.09

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

	NOTES	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	5,137	5,540
Investment properties	12	6,300	6,050
Deferred tax assets		758	889
Deposit placed at an insurance company		1,964	1,602
Utility and other deposits paid		7,513	7,142
Investments at fair value through profit or loss		—	1,922
		<b>21,672</b>	23,145
<b>CURRENT ASSETS</b>			
Inventories		8,079	6,856
Investments at fair value through profit or loss		2,541	2,779
Available-for-sale investments		276	378
Trade and other receivables	13	24,115	17,067
Amounts due from related parties		150	1,440
Amount due from a director		9	995
Tax recoverable		2,636	3,182
Pledged bank deposits		6,408	6,406
Bank balances and cash		123,591	108,233
		<b>167,805</b>	147,336
Asset classified as held for sale	14	—	1,582
		<b>167,805</b>	148,918
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	16,375	14,789
Amounts due to directors		2,519	2,827
Amounts due to related parties		1,538	2,490
Amounts due to shareholders		208	223
Dividend payables		9,433	10,171
Tax payable		1,108	258
Bank borrowings	16	6,633	13,118
		<b>37,814</b>	43,876



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

	NOTE	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
<b>NET CURRENT ASSETS</b>		<b>129,991</b>	105,042
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>151,663</b>	128,187
<b>CAPITAL AND RESERVES</b>			
Share capital	17	<b>7,800</b>	1,029
Reserves		<b>143,863</b>	127,158
		<b>151,663</b>	128,187

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2010 (audited)	1,029	—	(150)	—	—	94,081	94,960
Profit for the period	—	—	—	—	—	18,615	18,615
Other comprehensive income for the period	—	—	22	—	—	—	22
Total comprehensive income for the period	—	—	22	—	—	18,615	18,637
At 30 September 2010 (unaudited)	1,029	—	(128)	—	—	112,696	113,597
At 1 April 2011 (audited)	1,029	—	(102)	—	—	127,260	128,187
Profit for the period	—	—	—	—	—	12,599	12,599
Other comprehensive (expense) income for the period	—	—	(102)	40	—	—	(62)
Total comprehensive income for the period	—	—	(102)	40	—	12,599	12,537
Group reorganisation (note i)	6,147	124,911	—	—	(131,058)	—	—
Issue of shares to Pre-IPO investors (note 17)	624	7,704	—	—	—	—	8,328
Contribution from shareholders – deemed contribution (note 18)	—	—	—	—	1,441	—	1,441
– capitalisation of loan from a shareholder (note ii)	—	—	—	—	1,170	—	1,170
At 30 September 2011 (unaudited)	7,800	132,615	(204)	40	(128,447)	139,859	151,663

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

### Notes:

- (i) Pursuant to a group reorganisation, as more fully explained in the paragraph headed “Group Reorganisation” in Appendix VI to the prospectus dated 1 December 2011 (the “Prospectus”) issued by the Company (the “Group Reorganisation”), OTO (BVI) Investment Limited (“OTO BVI”) acquired the entire equity interests of HK\$1,000,000 and Macau Pataca (“MOP”) 30,000 (equivalent to HK\$29,000) in OTO Bodycare (H.K.) Limited (“OTO HK”) and OTO International (Macau) Company Limited (“OTO Macau”) respectively from the then 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 (collectively referred to as the “Controlling Shareholders”) by issuing and allotting 16,100 shares of OTO BVI at United States dollar (“US\$”) 1 each to Brilliant Summit Enterprise Limited (“BSEL”), a company collectively controlled by the Controlling Shareholders. 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 16,252 shares of US\$1 each totalling US\$16,252 (equivalent to HK\$126,000) including 152 shares issued for capitalisation of loan from BSEL as set out in note (ii) below, for a consideration of US\$920,000 (equivalent to HK\$7,176,000). This transfer was accounted for as restructuring of companies under the collective control of the Controlling Shareholders, using the principle of merger accounting as set out in note 2 to the condensed consolidated financial statements. The consideration was settled by issuing 91,999,998 ordinary shares of US\$0.01 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 18, the Company through its subsidiary, OTO (HK) Investment Limited (“OTO (HK) Investment”), acquired 騰多商貿(上海)有限公司 Dainty (Shanghai) Co., Ltd. (“OTO Shanghai”) at a consideration of US\$150,000 (equivalent to approximately HK\$1,170,000). The amount so paid was funded by a loan advanced from BSEL through OTO BVI to OTO (HK) Investment. The loan was subsequently capitalised on 13 April 2011 by the issue of 152 new shares of US\$1 each in OTO BVI to BSEL, credited as fully paid. The capitalisation of the loan is regarded as non-cash transaction for the period ended 30 September 2011.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	NOTE	Six months ended	
		30 September	2010
		2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		<b>7,129</b>	28,037
Investing activities			
Additions of property, plant and equipment		<b>(348)</b>	(1,492)
Proceeds from disposals of property, plant and equipment, net		<b>2,921</b>	—
Proceeds from redemption of investments at fair value through profit or loss		<b>2,000</b>	—
Repayment from a director		<b>986</b>	—
Repayment from related parties		<b>984</b>	4
Acquisition of a subsidiary	18	<b>344</b>	—
Other investing cash flows		<b>(198)</b>	(308)
Net cash from (used in) investing activities		<b>6,689</b>	(1,796)
Financing activities			
Loan from ultimate holding company		<b>1,170</b>	—
Repayment to directors		<b>(308)</b>	(331)
Repayment to related parties		<b>(281)</b>	—
Dividend paid		<b>(738)</b>	(1,722)
Repayment of bank loans		<b>(1,009)</b>	(974)
Decrease in trust receipt loans		<b>(5,476)</b>	(4,978)
Cash receipt from issuance of new shares		<b>8,328</b>	—
Other financing cash flows		<b>(186)</b>	(486)
Net cash from (used in) financing activities		<b>1,500</b>	(8,491)
Net increase in cash and cash equivalents		<b>15,318</b>	17,750
Cash and cash equivalents at the beginning of the period		<b>108,233</b>	107,838
Effect of foreign exchange rate changes		<b>40</b>	—
Cash and cash equivalents at the end of the period		<b>123,591</b>	125,588

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

## 1. GENERAL

OTO Holdings Limited (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. The principal activity of the Company is investment holding and its subsidiaries (together with the Company hereinafter referred to as the “Group”) are principally engaged in sales of health and wellness products.

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 the Group Reorganisation, the Company became the holding company of the Group on 20 April 2011. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 - 1111, Cayman Islands and its principal place of business is located on 26th Floor, Pacific Plaza, 410 Des Voeux West, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 13 December 2011. The parent and ultimate holding company of the Company is BSEL, which was incorporated in the British Virgin Islands.

## 2. BASIS OF PREPARATION

Pursuant to the Group Reorganisation, the acquisition of equity interests in OTO HK and OTO Macau was a combination of businesses under the collective control of the Controlling Shareholders. 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 periods, or since their respective dates of incorporation where this is a shorter period. Acquisition of OTO Shanghai, which is not part of the Group Reorganisation involving entities under the collective control of the Controlling Shareholders, is accounted for using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 “Business Combinations” issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group’s financial information for each of the three years ended 31 March 2011 and the five months ended 31 August 2011 as contained in the accountants’ report (the “Accountants’ Report”) set out in Appendix IA of the Prospectus.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has not early applied new or revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations (hereinafter collectively referred to as "HKFRSs") that have been issued but are not yet effective as set out in Note 2 to Section A of the Accountants' Report.

Other than those disclosed in Note 2 to Section A of the Accountants' Report, the directors of the Company anticipate that the application of these new or revised HKFRSs will have no material impact on the results and the financial position of the Group in the future.

There are no new or revised HKFRSs have been issued but are not effective subsequent to the date of the Prospectus.

### 4. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments, i.e. the three geographical locations, Hong Kong, Macau and the People's Republic of China (the "PRC"), for the period under review. Segment information in PRC was presented for the current period upon acquisition of OTO Shanghai in June 2011, details of which is set out in note 18.

#### Six months ended 30 September 2011

	Hong Kong HK\$'000	Macau HK\$'000	PRC HK\$'000	Elimination HK\$'000	Consolidated HK\$'000 (unaudited)
Revenue					
External sales	101,928	11,690	4,572	-	118,190
Inter-segment sales	4,491	-	467	(4,958)	-
	106,419	11,690	5,039	(4,958)	118,190
Segment profit	30,491	2,608	1,845	-	34,944
Unallocated administrative and other expenses					(19,207)
Other gains and losses					1,089
Interest income					152
Finance costs					(171)
Profit before tax					16,807
Income tax expense					(4,208)
Profit for the period					12,599

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 4. REVENUE AND SEGMENT INFORMATION (continued)

#### Six months ended 30 September 2010

	Hong Kong HK\$'000	Macau HK\$'000	PRC HK\$'000	Elimination HK\$'000	Consolidated HK\$'000 (unaudited)
Revenue					
External sales	87,538	12,504	-	-	100,042
Inter-segment sales	3,561	-	-	(3,561)	-
	91,099	12,504	-	(3,561)	100,042
Segment profit	27,226	3,930	-	-	31,156
Unallocated administrative and other expenses					(9,013)
Other gains and losses					372
Interest income					123
Finance costs					(243)
Profit before tax					22,395
Income tax expense					(3,780)
Profit for the period					18,615

### 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Gain on disposals of property, plant and equipment	1,190	-
(Loss) gain from changes in fair value of investments at fair value through profit or loss ("FVTPL")	(160)	60
Gain from changes in fair value of investment properties	250	500
Net exchange loss	(191)	(188)
	1,089	372

### 6. FINANCE COSTS

Finance costs represent interest on bank borrowings wholly repayable within five years.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 7. PROFIT BEFORE TAX

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Impairment loss recognised on trade receivables	-	14
Cost of inventories recognised as an expense	<b>36,672</b>	27,239
Initial public offering related expenses (included in other expenses)	<b>8,877</b>	-
Operating lease payments in respect of rented premises (including in other expenses)		
- Minimum lease payments	<b>13,519</b>	12,360
- Contingent rent	<b>11,549</b>	11,284
Bank interest income	<b>(152)</b>	(123)
Dividend income from investments in listed equity securities	<b>(20)</b>	(5)

### 8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	<b>3,559</b>	2,870
Macau Complimentary Income Tax	<b>246</b>	395
PRC Enterprise Income Tax	<b>272</b>	-
	<b>4,077</b>	3,265
Underprovision for Macau Complimentary Income Tax in prior year	-	354
Deferred tax	<b>131</b>	161
	<b>4,208</b>	3,780



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 8. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

Macau Complimentary Income Tax is calculated progressively at rates ranging from 3% to 12% of the estimated assessable profit exceeding MOP200,000 for both periods.

PRC Enterprise Income Tax is calculated at 25% of the taxable income of a subsidiary established in the PRC for the period.

### 9. DIVIDENDS

No dividends were declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

### 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2011 (Unaudited)	2010 (Unaudited)
Earnings (HK\$'000)		
Earnings for the purpose of basic earnings per share	<b>12,599</b>	18,615
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>237,425</b>	218,735

The calculation of the weighted average number of shares outstanding during the six months ended 30 September 2011 and 30 September 2010 is based on the assumption that the Group Reorganisation and the capitalisation of 140,000,000 ordinary shares upon completion of the global offering for allotment and issued to the then shareholders of the Company whose name appears on the Company's Register of members at the close of business on 25 November 2011 pursuant to the passed resolution dated 25 November 2011 have been effective since the beginning of both six months period ended 30 September 2011 and 30 September 2010, except for the effect of the number of shares of OTO BVI issued for the purpose of settling the loan from BSEL which is calculated from the date of loan being settled by shares of OTO BVI, i.e. 13 April 2011.

No diluted earnings per share are presented for both periods as there were no potential dilutive shares during both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK\$348,000 (six months ended 30 September 2010: HK\$1,492,000).

### 12. MOVEMENT IN INVESTMENT PROPERTIES

The Group's investment properties were fair valued by an external valuer at 30 September 2011 and the directors at 30 September 2010 using market transaction model by reference to market evidence of transaction prices for similar properties.

During the period, a gain from changes in fair value of HK\$250,000 (six months ended 30 September 2010: HK\$500,000) was credited to profit or loss.

### 13. TRADE AND OTHER RECEIVABLES

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Trade receivables	<b>21,200</b>	14,155
Other receivables, prepayments and deposits	<b>2,915</b>	2,912
Total trade and other receivables	<b>24,115</b>	17,067

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 of 30 days to 90 days to the corporate customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
0 - 30 days	<b>9,345</b>	6,425
31 - 60 days	<b>4,385</b>	2,868
61 - 90 days	<b>4,118</b>	1,462
Over 90 days	<b>3,352</b>	3,400
	<b>21,200</b>	14,155

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 14. ASSET CLASSIFIED AS HELD FOR SALE

On 30 March 2011, the Group entered into a provisional sale and purchase agreement with a director, Mr. Yip Chee Lai, Charlie who is one of the Controlling Shareholders, pursuant to which the Group would dispose land and a building to the director for consideration of HK\$2,950,000.

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 HK\$1,289,000 was recognised in other gains and losses for the six months ended 30 September 2011.

### 15. TRADE AND OTHER PAYABLES

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Trade payables	<b>8,355</b>	3,483
Other payables and accruals:		
Receipts in advance	<b>2,442</b>	2,716
Accruals	<b>3,674</b>	5,276
Others (note)	<b>1,904</b>	3,314
	<b>8,020</b>	11,306
	<b>16,375</b>	14,789

Note: As at 30 September 2011, an amount of HK\$1,100,000 (31 March 2011: HK\$1,169,000) included in others was deferred revenue in relation to customer royalty programmes.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
0 - 30 days	<b>5,120</b>	3,214
31 - 60 days	<b>1,780</b>	269
61 - 90 days	<b>773</b>	-
Over 90 days	<b>682</b>	-
	<b>8,355</b>	3,483

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 16. BANK BORROWINGS

During the six months ended 30 September 2011, the Group repaid bank loans and net balance of trust receipt loans totaling HK\$1,009,000 and HK\$5,476,000 (six months ended 30 September 2010: HK\$974,000 and HK\$4,978,000) respectively.

### 17. SHARE CAPITAL

	Number of shares '000	Share capital US\$'000
Ordinary shares of US\$0.01 each		
Authorised:		
At date of incorporation on 20 January 2011 and at 31 March 2011	5,000	50
Increased on 20 April 2011	9,995,000	99,950
At 30 September 2011	10,000,000	100,000
	Number of shares	Share capital US\$
Issued and fully paid or credited as fully paid:		
Issued at the date of incorporation on 20 January 2011	1	-
Issued during the period	1	-
At 31 March 2011	2	-
Issued as consideration for the acquisition of the issued share capital of OTO BVI	91,999,998	920,000
Issued and allotted to Pre-IPO investors	8,000,000	80,000
At 30 September 2011	100,000,000	1,000,000
		HK\$'000
Presented as		7,800

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 17. SHARE CAPITAL (continued)

The authorised share capital of the Company was US\$50,000 divided into 5,000,000 ordinary shares of US\$0.01 each. As of the date of incorporation of the Company, one ordinary share of US\$0.01 was issued and nil paid by the initial subscriber. The share was transferred to Mr. Yep Gee Kuarn on 11 February 2011 and on 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 US\$100,000,000 divided into 10,000,000,000 ordinary shares of US\$0.01 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 US\$0.01 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 defined in the Prospectus and 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 US\$0.01 each at a total consideration of 1,388,000 Singapore dollar (equivalent to approximately HK\$8,328,000) to the parties under the ICH Pre-IPO Investment Agreement.

Share capital as at 31 March 2011 represents the aggregate of the issued share capital of OTO HK comprising 1,000,000 shares of HK\$1 each (equivalent to HK\$1,000,000), paid-up capital of OTO Macau of MOP30,000 (equivalent to HK\$29,000) and issued ordinary shares of the Company comprising 2 ordinary shares of US\$0.01 each (equivalent to HK\$0.16).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 18. ACQUISITION OF A SUBSIDIARY

On 22 March 2011, a share transfer agreement entered into 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 US\$150,000 in OTO Shanghai were agreed to be transferred to OTO (HK) Investment at an aggregate consideration of US\$150,000 (equivalent to approximately HK\$1,170,000), 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, i.e. 29 June 2011, are as follows:

	HK\$'000
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	(557)
	2,611

The receivables acquired (which principally comprised trade receivables) with a fair value of HK\$4,092,000 had gross contractual amounts of HK\$4,092,000.

In the opinion of the directors of the Company, an amount of approximately HK\$1,441,000, 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:

	HK\$'000
Cash consideration paid	(1,170)
Less: cash and cash equivalent balances acquired	1,514
	344

Included in the profit for the six months ended 30 September 2011 is HK\$817,000 generated by OTO Shanghai. Revenue for the six months ended 30 September 2011 includes HK\$5,039,000 generated by OTO Shanghai.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 18. ACQUISITION OF A SUBSIDIARY (continued)

Had the acquisition been completed on 1 April 2011, total group revenue for the six months ended 30 September 2011 would have been HK\$123,192,000, and profit for the six months ended 30 September 2011 would have been HK\$13,113,000. 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.

### 19. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group at the end of the reporting period:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Leasehold land and buildings		
- included in property, plant and equipment	<b>3,064</b>	3,132
- classified as held for sale	-	1,582
Investment properties	<b>6,300</b>	6,050
Bank deposits	<b>6,408</b>	6,406
Investments at fair value through profit or loss	<b>1,936</b>	3,901
	<b>17,708</b>	21,071

### 20. OPERATING LEASES

#### 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:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Within one year	<b>20,201</b>	18,227
In the second to fifth year inclusive	<b>7,332</b>	7,784
	<b>27,533</b>	26,011

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 of the monthly gross turnover with or without monthly minimum lease payments.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 21. RELATED PARTY TRANSACTIONS

- (a) Other than those transactions disclosed in notes 14 and 18, during the six months ended 30 September 2011 the Group entered into the following transactions with related parties:

Name of related company	Nature of transaction	Six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
OTO Bodycare Pte. Ltd.	Trade sales	118	75
("OTO Singapore") (note i)	Trade purchases	44	1,475
OTO Bodycare Sdn. Bhd.	Trade sales	5	5
("OTO Malaysia") (note ii)			
OTO Shanghai (note iii)	Trade sales	853	-
	Trade purchases	702	-

The transactions between OTO Shanghai and entity within the Group from 29 June 2011 are eliminated on consolidation.

Notes:

- (i) The Controlling Shareholders, except for Mr. Yip Chee Lai, Charlie, are the shareholders of OTO Singapore. Mr. Yip Chee Seng was a director of OTO Singapore up to 22 November 2011. Mr. Yep Gee Kuarn is a director of OTO Singapore. Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun have indirect interest in OTO Singapore by holding 36.4%, 31.8% and 31.8% interests respectively in The Essence Shop Pte. Ltd., a company which has 25.5% interest in OTO Singapore. Mr. Yip Chee Seng and his spouse together hold 33.3% in OTO Singapore and Mr. Yep Gee Kuarn and his spouse together hold 33.2% in OTO Singapore.
- (ii) Mr. Yep Gee Kuarn and Mr. Yip Chee Seng are the shareholders of OTO Malaysia of which each of them holds 45.8% interest. Mr. Yip Chee Seng was a director of OTO Malaysia up to 24 November 2011. Mr. Yep Gee Kuarn is a director of OTO Malaysia.
- (iii) Mr. Yip Chee Seng, Mr. Yep Gee Kuarn and Mr. Yip Chee Way, David are the directors and Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Lai, Charlie and Mr. Yip Chee Way, David are the then shareholders of OTO Shanghai of which each of them held 25% interest.

The balances of amounts due from/to related parties, directors and shareholders are disclosed in the condensed consolidated statement of financial position.

- (b) Certain directors, also certain Controlling Shareholders, have provided personal guarantees to banks for the outstanding bank borrowings of HK\$6,633,000 (31 March 2011: HK\$13,118,000) 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 of the Company's shares on the Stock Exchange.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

### 21. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the periods were as follows:

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	1,100	148
Retirement benefits scheme contributions	37	6
Performance related incentive payments	1,423	1,025
	<b>2,560</b>	1,179

### 22. 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.

Simultaneous with the listing of the shares of the Company on the Stock Exchange on 13 December 2011, 140,000,000 ordinary shares of US\$0.01 each were issued at par to the holders of shares whose names appear on the register of members of the Company at the close of business on 25 November 2011 for capitalisation of US\$1,400,000 standing to the credit of the share premium account of the Company and 80,000,000 ordinary shares of US\$0.01 each were issued at HK\$1.58 per share for a total gross proceed of HK\$126,400,000.