豪特保健控股有限公司
OTO Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6880

ANNUAL REPORT **2011/2012**

CONTENTS

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

AUTHORIZED REPRESENTATIVES

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

COMPANY WEBSITE

www.otobodycare.com

REGISTERED OFFICE

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HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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410 Des Voeux Road West
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
28th 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

For the year ended 31 March	2012	2011	% Changes
Profitability data (HK$'000)			
Revenue	**245,658**	209,402	17.3
Gross profit	**163,389**	146,581	11.5
Profit before tax	**21,404**	44,034	(51.4)
Profit after tax for the year	**15,247**	37,179	(59.0)
Earnings per share – basic and diluted (HK$)	**0.06**	0.17	(64.7)
Gross profit margin	**66.5%**	70.0%	(3.5)
Profit before tax margin	**8.7%**	21.0%	(12.3)
Dividend per share			
– Final Dividend (HK cents)	**0.950**	—	
– Special Dividend (HK cents)	**1.430**	—	
Effective tax rate	**28.8%**	15.6%	

As at 31 March	2012	2011
Assets and liabilities data (HK$'000)		
Bank balances and cash	**221,211**	108,233
Bank borrowings	**13,825**	13,118
Total assets less current liabilities	**267,115**	128,187
Assets and Working Capital ratios/data		
Current ratio (times)	**7.5**	3.4
Gearing ratio (%)	**4.5%**	7.6%
Inventory turnover days	**31.3**	35.3
Trade receivables turnover days	**30.6**	25.5
Trade payables turnover days	**32.9**	19.3

Notes for key ratio:

Earnings per share	:	Profit attributable to owners of the Compny/Weighted average number of ordinary shares
Current ratio	:	Current assets/Current liabilities
Gearing ratio	:	Totawl bank borrowings/Total assets x 100%
Inventory turnover days	:	Average of beginning and ending inventory balances/ Cost of sales x 365 days
Trade receivables turnover days	:	Average of beginning and ending trade receivables balances/ Revenue x 365 days
Trade payables turnover days	:	Average of beginning and ending trade payables balances/Cost of sales x 365 days

Dear Shareholders,

After 30 years of long-term growth of our business starting from scratch, "OTO" has today become a well-known premier brand for family health. 2011 was a remarkable year to OTO. With the word-of-mouth brand effect of "OTO" and the support from investors, OTO has listed on the Main Board of Hong Kong Stock Exchange and successfully access to the international capital market. Successful listing is greatly beneficial to the overall brand recognition of OTO. On behalf of the board of directors, I would like to extend our gratitude to our shareholders and investors.

In 2011, as affected by the deepening Euro sovereign-debt crisis, the global economy has not yet substantially improved, the general business environment became more difficult and the financial markets also became abnormally fluctuating. However, with our premier brand and quality products, the Group still managed to achieve considerable growth in the first half of 2011.

In the second half of 2011, Hong Kong economic development had slackened further with the Hong Kong's GDP only slightly raised by 0.4% and the inflation rate reached 5.9% in the first quarter of 2012. Consumer sentiment was affected by the increasing inflation rate in a certain extent. Moreover, the increasing rental for retail outlets, decreasing number of individual visitors from PRC and softening consumption sentiment had impacted the Hong Kong retail market, resulting in slackening revenue growth of retail industry. Meanwhile, as a result of deepening debt crisis in Europe, sales orders from corporate and international customers of the Group were delayed beyond expectation. These adverse factors had affected the operation of the Group.

The Group remains cautious on the prospects of the coming year and the future business. We expect that the global economy in 2012 will remain volatile. To operate in the challenging and volatile business environment, the Group will enhance its operational efficiency through tactical business strategies so as to respond to different challenges.

DIVERSIFY SALES CHANNELS AND INCREASE THE PURCHASING POWER OF DIFFERENT MARKET SEGMENT

The sharp rise in rental for retail outlets is the challenge faced by many retailers. In order to control operating costs, the Group will strengthen the development of consignment counters, so as to mitigate the operational risks caused by rising rents in the future. Further, the Group is now actively rearranging its retail outlets with the aim to reduce repeated outlets at the same location and to open new retail outlets in other more strategic districts. The Group has also been actively expanding its business territory in the recent years. We plan to promote our products to emerging markets which are less affected by the European debt crisis, and at the same time, actively develop and broaden the market of health gifts through cooperations with major organizations or firms, so as to further strengthen the development of international sales and corporate sales channels.

For the market in Hong Kong, in addition to its existing traditional sales channel, the Group will implement its diversification strategies through cooperation with sizeable chain stores and tapping on the emerging internet sales channel, in order to broaden the Group's sales channels, to enhance the purchasing power of the different market segment of the local market and to cushion the impact of the raising operation cost resulting from the increasing rental for retail outlets.

INNOVATE OUR BRAND IMAGE STRENGTHEN OUR BRAND EFFECT

The competition in the health product market has been intensified in recent years, we are of the view that this market trend evidenced the attractiveness of health product market. In despite of intensified market competition, the Group believes that by virtue of the health product image of "OTO" managed by us throughout the years; the confidence and word-of-mouth of "OTO" products from users; outstanding product functions and product safety measures, as well as diversified sales channels, the Group will be able to excel amongst the competitors.

In respect of brand management, the Group will continue to deepen the image of "OTO", in line with the "Slow live and Regimen", "Healthy living lifestyle" brand philosophy. We will gradually renovate our existing retail stores, and innovate the Company's brand image, thus to present "Young and Energetic" brand image, to attract more consumers from different market segment, especially the young middle-class users with stronger purchasing power and consumer emotion, hence, further expand our customer base.

STRENGTHEN PRODUCT DEVELOPMENT LAUNCH INNOVATIVE PRODUCTS

The Group believes that the introduction in new key products is one of the important factors of our success. Therefore, the Group will continue to strengthen the development and launching of new key products with better design and functions, such as the relaxation product — foot massage product — "OTO PowerFlex" which was introduced in April 2011, we invited Mr. Michael Miu Kiu Wai, a celebrity, as the product spokesperson, coupled with the effective and focused marketing promotion activities so as to enhance our sales. As driven by promotion of "OTO Power Flex", along with the higher retail price of this new product than the previous foot massage products, the sales volume and sales revenue of foot massage products had increased when compare with the first quarter of previous year.

AGGRESSIVELY EXPAND THE PRC MARKET GAIN GREATER MARKET SHARE OF PRC

The rapidly increasing urbanisation in the PRC and the growing of the disposable income of population in city and county, coupled with the support from the PRC government policy, which propose a target of 15% average annual growth rate on retail revenue of total consumer products during the "The Twelfth Five Year Plan" period. We believe that, back by the continuous growth of the PRC consumer product market, the PRC health product market will continue to grow stably. As the result, expansion of the PRC market will be the future main development target of the Group. According to the expansion plan established by the Group, the Group had 34 retail outlets in Shanghai, Beijing and various cities in South China as at 31 March 2012; and 41 retail outlets in aggregate as at 15 June 2012. We expect that the network expansion of PRC market will be the important growth driver of the Group's profit in future.

LEVERAGE ON THE STRONG CASH POSITION SEIZE ACQUISITION OPPORTUNITIES

Apart from providing support for the business development of the Company, the strong cash flow position of the Group supports the Company in accessing acquisition and expansion opportunity. We will closely pay attention to the acquisition opportunities in the market to further expand the Group's business chain to other related health product market, thereupon, reinforce the sustainable development ability of the Group, and enhance the ability of the Group to bear with the operational risk.

Finally, I would like to once again express my sincere gratitude to all shareholders, investors, and all our staffs for their support. We will remain innovative in our business development to bring better returns to shareholders and investors, albeit the various challenges in the future.

Yip Chee Seng
Chairman and Executive Director

Hong Kong, 15 June 2012

BUSINESS REVIEW

The Group is a leading developer and retailer of health and wellness products in Hong Kong through its proprietary "OTO" brand with retail outlets in Hong Kong, Macau and mainland China. While the Group strives to maintain its leading position in its present market, it is targeting to enhance its brand value and awareness in new markets that included amongst all, mainland China market, by continuing to deliver high-quality health and wellness products.

Products

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.

During the year ended 31 March 2012, the Group launched a total of seven new products. They included five new relaxation products and two new therapeutic products, which added up to a total of 56 models of relaxation products, 7 models of fitness products, 11 models of therapeutic products and 10 models of diagnostic products as at 31 March 2012. The seven new products that were launched during the year ended 31 March 2012, in total contributed approximately HK$97.2 million or 39.6% of the Group's total revenue for the year.

The Group will continue to strengthen its research and development capabilities, with a view to launching more products with a new concept, innovative features and advanced designs to cater for the growing demand and varied preferences of its customers as well as to generate more revenue for the Group.

Sales Channel

The Group's diversified sales channels coupled with a wide geographical coverage enables it to integrate a full range of "OTO" products, to cater to the spending power and habits of the consumers in Hong Kong, Macau and mainland China. These 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.

As at 31 March 2012, the Group operated a total of 67 retail outlets, which comprises 13 retail stores and 17 consignment counters in Hong Kong, 33 consignment counters and one retail shop in mainland China covering major cities including Shanghai, Beijing, Shenzhen, Hangzhou, and one retail store and two consignment counters in Macau. Out of the 67 retail outlets as at 31 March 2012, 28 retail outlets were new retail outlets in mainland China which the Group established during the current year under review.

In addition to its retails outlets, the Group also conducts roadshows in different department stores and shopping malls in Hong Kong, Macau and mainland China. For corporate sales, the Group has established a wide customer's base in these markets which includes financial institutions, retail chain stores and professional bodies. In addition, the Group exports its products to international distributors/ wholesalers for their distribution in overseas markets including the United Kingdom, France, Saudi Arabia, India, Mauritius, Russia, Thailand, Japan and Hungary. The Group's primarily goals are to expand its presence in the international markets and to penetrate other new marketing segments in its existing markets with sound strategies in view of the escalading operating costs which include high retail stores rental and staff cost.

The following discussion is based on, and should be read in conjunction with, the financial information and the notes thereto included in this annual 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 year ended 31 March 2012, the Group recorded revenue of approximately HK$245.7 million and achieved a growth of approximately 17.3% as compared with the revenue for the corresponding year in 2011. During the year ended 31 March 2012, the Group's net profit amounted to approximately HK$15.2 million, after charging the one-off initial public offering ("IPO") expenses of approximately HK$19.3 million during the year, as compared with the net profit of approximately HK$37.2 million in the corresponding year in 2011.

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 approximately HK$36.3 million or approximately 17.3% to approximately HK$245.7 million for the year ended 31 March 2012 from approximately HK$209.4 million for the corresponding year, primarily as a result of the following:

Sales of the health and wellness products of the Group

	For the year ended 31 March					
	2012		2011		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Relaxation products	**177,876**	**72.4**	162,962	77.8	14,914	9.2
Fitness products	**34,777**	**14.2**	37,821	18.1	(3,044)	(8.0)
Therapeutic products	**29,919**	**12.2**	5,993	2.9	23,926	399.2
Diagnostic products	**3,086**	**1.2**	2,626	1.2	460	17.5
Total	**245,658**	**100.0**	209,402	100.0	36,256	17.3

The revenue from the sales of the Group's therapeutic products and relaxation products increased by approximately HK$23.9 million or approximately 399.2%, and approximately HK$14.9 million or approximately 9.2%, respectively, for the year ended 31 March 2012, as compared with the corresponding year ended 31 March 2011. These increases in revenue were primarily due to the launch of a therapeutic product, OTO e-Physio, in April 2011 and the launch of massage chairs including OTO Master Sense in July 2011 and OTO Cyber Wave in September 2011. These increases in revenue were partially offset by the decrease in revenue from fitness products by approximately HK$3.0 million or approximately 8.0%. There were no significant changes in the revenue from diagnostic products during the year ended 31 March 2012 as compared with the corresponding year.

Sales performance of the sales channels of the Group

	For the year ended 31 March					
	2012		2011		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Retail stores	**90,398**	**36.8**	90,736	43.4	(338)	(0.4)
Consignment counters	**91,327**	**37.2**	78,393	37.4	12,934	16.5
Roadshow counters	**11,391**	**4.6**	11,555	5.5	(164)	(1.4)
Corporate sales	**22,806**	**9.3**	16,562	7.9	6,244	37.7
International sales	**29,736**	**12.1**	12,156	5.8	17,580	144.6
Total	**245,658**	**100.0**	209,402	100.0	36,256	17.3

The revenue from the Group's international sales increased by approximately HK$17.6 million or approximately 144.6%, which was primarily due to the increase in sales orders from international customers as well as the increase in the number of international customers during the year ended 31 March 2012. The revenue from the Group's corporate sales and consignment counters also increased by approximately HK$6.2 million or approximately 37.7% and approximately HK$12.9 million or approximately 16.5%, respectively, for the year ended 31 March 2012. The increase in the corporate sales was primarily due to the sales to two leading retail chain operators in the PRC, while the increase in revenue from consignment counters were mainly contributed from the operations of the Group in the PRC.

Other income

Other income for the year ended 31 March 2012 was approximately HK$6.4 million, representing an increase of approximately HK$1.7 million or approximately 36.2%, from approximately HK$4.7 million for the year ended 31 March 2011. The increase was primarily due to increase in delivery income, bank interest income and sundry income.

Other gains and losses

Other gains and losses for the year ended 31 March 2012 was approximately HK$1.4 million, which comprised mainly gain from the disposal of property, plant and equipment amounted to approximately HK$1.1 million. The other gains and losses for the corresponding year comprised mainly gain from changes in fair value of investment properties amounted to HK$1.3 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the year ended 31 March 2012 were decrease of approximately HK$0.9 million as compared with increase of approximately HK$1.6 million for the corresponding year ended 31 March 2011.

Finished goods purchased

Finished goods purchased for the year ended 31 March 2012 was approximately HK$77.7 million, representing an increase of approximately HK$17.9 million, or approximately 29.9% from approximately HK$59.8 million for the corresponding year ended 31 March 2011. The increase was in line with the increase in overall revenue.

Gross profit

The gross profit increased by approximately HK$16.8 million or approximately 11.5% to approximately HK$163.4 million for the year ended 31 March 2012 from approximately HK$146.6 million for the corresponding year ended 31 March 2011. The gross profit margin decreased from approximately 70.0% for the year ended 31 March 2011 to approximately 66.5% for the year ended 31 March 2012, primarily due to changes in sales channel mix during the year, whereby the Group's international sales, which generated comparatively lower gross profit margin, contributed higher proportion of revenue as a whole to the overall revenue of the Group, as well as reduction of the retail selling price for certain products of the Group during the year which was led by market competition.

Staff costs

Staff costs for the year ended 31 March 2012 were approximately HK$36.7 million, representing an increase of approximately HK$7.5 million, or approximately 25.7%, from HK$29.2 million for the corresponding year. The increase in staff costs was mainly due to the increase in the overall staff strength to 176 employees as at 31 March 2012 compared with 125 employees as at 31 March 2011 for the expansion plan of the Group in the PRC.

Depreciation and amortization expense

Depreciation and amortization expense for the year ended 31 March 2012 was approximately HK$1.5 million, which remained relatively stable as compared with that of the corresponding year.

Finance costs

Finance costs for the year ended 31 March 2012 was approximately HK$0.3 million, which remained relatively stable as compared with that of the corresponding year.

Other expenses

Other expenses for the year ended 31 March 2012 was approximately HK$95.7 million, representing an increase of approximately HK$16.4 million or approximately 20.7%, from approximately HK$79.3 million for the corresponding year ended 31 March 2011. The increase is primarily attributable to various items, including an increase of approximately HK$0.4 million in advertising and promotion expenses; an increase of approximately HK$3.1 million in rent, rates and building management fee for retail stores at shopping malls; an increase of approximately HK$4.3 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$1.0 million in donation during the year.

Profit before tax

As a result of the factors described above, the Group's profit before tax for the year ended 31 March 2012 was approximately HK$21.4 million, representing a decrease of approximately HK$22.6 million or approximately 51.4% from approximately HK$44.0 million for the corresponding year ended 31 March 2011.

Income tax expense

Income tax expense for each of the year ended 31 March 2012 and 2011 were approximately HK$6.2 million and HK$6.9 million, respectively, representing an effective tax rate of approximately 28.8% and 15.6%, respectively. The increase in effective tax rate for the year ended 31 March 2012 was primarily due to listing expenses relating to the Global Offering which are not tax deductible in arriving at taxable profit of the Group, as well as higher rate of enterprise income tax for the China subsidiary of the Company as compared with the tax rates in Hong Kong and Macau.

Profit for the year

As a result of the factors described above, the Group's profit for the year ended 31 March 2012 was approximately HK$15.2 million, representing a decrease of approximately HK$22.0 million or approximately 59.0% from approximately HK$37.2 million for the corresponding year ended 31 March 2011.

Further to the Company's profit warning announcement dated 16 March 2012 and the clarification announcement dated 18 March 2012 (together, the "Announcements"), the Group's profit for the year ended 31 March 2012 was approximately HK$15.2 million, representing approximately 30.0% of the profit forecast of HK$50.8 million as disclosed in the Company's Prospectus dated 1 December 2011 (the "Prospectus"). The Group's profit for the year ended 31 March 2012 was lower than that of the profit forecast as set out in the Prospectus due mainly to (i) shortfall of actual revenue as compared to the forecasted revenue as a result of unanticipated market competition which in turn led to lower retail price of the Group's products as well as lower sales volume; (ii) unanticipated delay of sales orders from the Group's corporate and international customers, as impacted by the worsening market conditions and business environment caused by the debt crisis in Europe and the United States; and (iii) a lower gross profit margin that was mainly attributable to the unanticipated intensified market competition in Hong Kong. Details of the reasons of the shortfall were set out in the Announcements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had approximately HK$221.2 million (as compared with approximately 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, USD and SGD denominated accounts with banks in Hong Kong. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain 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$8.5 million for the year ended 31 March 2012, primarily reflecting the operating cash flows before movements in working capital of approximately HK$20.8 million, as adjusted by an increase of approximately HK$10.8 million in trade and other receivables, a decrease of approximately HK$2.5 million in amount due to a related party and tax payment amounted to approximately HK$3.1 million during the year.

Investing activities

Net cash used in investing activities was approximately HK$3.9 million for the year ended 31 March 2012 (year ended 31 March 2011: HK$3.8 million), which was primarily due to increase in pledged bank deposits of approximately HK$9.5 million, and partially offset by proceeds from disposals of property, plant and equipment of approximately HK$3.0 million, proceeds from redemption of equity-linked note of approximately HK$2.0 million and repayment from related parties of approximately HK$1.1 million during the year.

Financing activities

Net cash from financing activities was approximately HK$108.2 million for the year ended 31 March 2012, as compared with approximately HK$18.2 million used in financing activities for the year ended 31 March 2011, which was primarily due to cash receipt from issuance of new shares amounted to approximately HK$134.7 million and an increase in import trade and trust receipts loans of approximately HK$2.7 million, partially offset by the repayment of bank loans amounted to approximately HK$2.0 million, repayment to amounts due to directors approximately HK$2.8 million, payments of transaction costs attributable to issue of new shares approximately HK$14.0 million and the settlement of dividend payable amounted to approximately HK$10.2 million during the year.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 March 2012 was approximately HK$13.8 million with effective interest rate ranging from 1.7% to 6.3% per annum. The Group's gearing ratio decreased from approximately 7.6% as at 31 March 2011 to approximately 4.5% as at 31 March 2012, which was primarily due to an increase of approximately HK$132.6 million in total assets of the Group, which was arising from the issuance of new ordinary shares of the Company as well as the Group's net profit after tax for the year ended 31 March 2012.

WORKING CAPITAL

As at 31 March 2012, the net working capital of the Group was approximately HK$242.4 million, representing an increase of approximately HK$137.4 million or 130.8% as compared with 31 March 2011.

As at 31 March 2012, the Group's inventories increased marginally by HK$0.3 million to HK$7.2 million from approximately HK$6.9 million as at 31 March 2011 which was in line with the revenue. The inventories turnover period was 31.3 days as at 31 March 2012 as compared with 35.3 days as at 31 March 2011. The decrease in inventories turnover days as at 31 March 2012 was attributable to more efficient inventory controls of the Group during the year.

As at 31 March 2012, the Group's trade receivables increased by approximately HK$12.8 million to approximately HK$27.0 million from approximately HK$14.2 million as at 31 March 2011 as a result of increase in the international sales, corporate sales and revenue from consignment counters. The average trade receivables turnover day was 30.6 days, representing an increase of approximately 5.1 days from 25.5 days as at 31 March 2011 which was attributable to increase in international sales, corporate sales and revenue from consignment counters where certain credit terms were granted to these customers.

As at 31 March 2012, the Group's trade payables increased by approximately HK$7.9 million to approximately HK$11.4 million from approximately 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 trade payables turnover days as at 31 March 2012 increased from 19.3 days as at 31 March 2011 to 32.9 days as at 31 March 2012.

CAPITAL EXPENDITURE

During the year ended 31 March 2012, the Group's total capital expenditure amounted to approximately HK$2.6 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 March 2012, the Group had pledged certain assets, including leasehold land and buildings, investment properties and bank deposits which in aggregate amounted to approximately HK$27.5 million for the purpose of securing certain banking and other facilities.

PROPERTY VALUATION

A surplus of approximately HK$5,466,000 arising as a result of an independent valuation of the Group's buildings and leasehold land as at 30 September 2011 amounted to HK$8,530,000 carried out by Jones Lang LaSalle Sallmanns Limited have not been incorporated in the consolidated financial statements for the year ended 31 March 2012. It is the Group's policy to state its property, plant and equipment at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any, in accordance with HKASs and HKFRSs. If such revaluation surplus was included in the consolidated financial statements, additional depreciation charges of approximately HK$152,000 would be incurred for the year ended 31 March 2012.

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

During the year ended 31 March 2012, there were no significant investment, material acquisition and disposals of subsidiaries by the Company other than those which formed part of the Group reorganisation, 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 31 March 2012 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 31 March 2012, the Group had a total number of 176 (31 March 2011: 125) 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 Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

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.

During the year ended 31 March 2012, no share option was granted to employees.

STRATEGIES AND PROSPECTS

With a challenging economic and business environment and industry competition, year 2012/2013 will remain to be challenging for the Group in Hong Kong and the PRC. In anticipation of these challenges, the Group will continue to focus on the followings: (i) the Group has prepared a series of key products for 2012/2013, which the Directors believe to be able to bring positive impact on the performance of the Group; (ii) the Group will continue with its planned retail outlet expansion in the PRC; (iii) the Group will continue to cooperate closely with its corporate and international customers to expand sales in these channels; (iv) the Group will continue to enhance the style, functions, quality and competitiveness of its products so as to give new inspiration and to add more innovative and modern design elements to its products; (v) the Group is committed to improve the operational efficiency of its product value chain, to enhance the efficiency of supply chain as well as effectiveness in products research and development by leveraging on the Group's resources and connections globally; and (vi) the Group will improve its internal operational efficiency through organizational restructuring, operational streamlining, enhancement of its existing information technology, recruitment of additional management personnel who are capable of meeting the needs of the current development of the Group.

Although the business environment is expected to continue to be difficult, the Directors believe that the financial position of the Group remains solid with a strong net cash position. The dedicated management team of the Company will continue to take all necessary actions and measures to strengthen the Group's business operations and to maintain its competitiveness going forward.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 December 2011 (the "Listing Date") with net proceeds received by the Company from the Global Offering amounting to approximately HK$92.6 million after deducting underwriting commissions and all related expenses. As at 31 March 2012, there is no change on the proposed use of net proceeds from the Global Offering. As at 31 March 2012, the unused proceeds were deposited in licensed bank in Hong Kong.

	Net proceeds HK$ mil	Utilized up to 31 March 2012 HK$ mil	Unutilized as of 31 March 2012 HK$ mil
Use of proceeds:			
Expansion of the Group's PRC operations	**45.9**	**1.8**	**44.1**
Advertising and promotional activities in the PRC	**20.0**	**0.3**	**19.7**
Renovate and redecorate the existing retail outlets in Hong Kong and Macau	**10.7**	**0.6**	**10.1**
Enhancement of the research and development capability	**8.0**	**0.6**	**7.4**
Upgrade of the Group's information systems	**8.0**	**—**	**8.0**
	92.6	**3.3**	**89.3**

The board of directors (the "Board") is committed to maintaining a good standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasing stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

As the Company was listed on the Stock Exchange on 13 December 2011 (the "Listing Date"), the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the period from 1 April 2011 to 12 December 2011, being the date immediately before the Listing Date. Nevertheless, the Company has adopted the CG Code as its own code of corporate governance and has complied with all code provisions of the CG Code for the period since the Listing Date and up to 31 March 2012 (the "Period").

In the light of the revised Appendix 14, Corporate Governance Code and Corporate Governance Report (the "Revised Code") effective on 1 April 2012, the Board has reviewed the corporate governance practices of the Company and confirmed that up to the date of this report, the Company complied with the new code provisions, where appropriate, as set out in the Revised Code. The Board will review the current practices at least annually and make appropriate changes if considered necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules (including amendments as effected from time to time) as its own code of conduct for dealing in securities of the Company by the Directors. Following a specific enquiry made to all Directors, each of the Directors confirmed that he/she has complied with the Model Code during the Period.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The Directors have the responsibility to act objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the Revised Code.

The Board has delegated various responsibilities to the Board committees as set out in their respective terms of reference including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). Further details of these committees are set out in the paragraphs below.

The Board currently comprises three executive Directors namely, Mr. Yip Chee Seng (Chairman), Mr. Yip Chee Lai, Charlie (Chief Executive Officer) and Mr. Yip Chee Way, David, one non-executive Director namely, Mr. Yep Gee Kuarn and three independent non-executive Directors namely, Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang. The profiles of each Director are set out in the "Biographies of Board of Directors and Senior Management" section in this annual report.

Mr. Yip Chee Seng is a brother of each of Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David and Mr. Yep Gee Kuarn (collectively, the "Yip Brothers"), each being a Director and a controlling shareholder of the Company. Mr. Yip Chee Seng's son, Mr. Yip Chan Yong, is a supervisor of 騰多商貿(上海)有限公司 Dainty (Shanghai) Co., Ltd. ("OTO Shanghai") and he is the nephew of the other Yip Brothers. Mr. Yip Chee Lai, Charlie is the spouse of Ms. Yeo Bee Lian, the Group's Human Resource and Administrative Manager. Save as aforesaid, to the best knowledge of the Directors, there is no financial, business and family or other material/relevant relationship among members of the Board and between the Chairman and the Chief Executive Officer. All of them are free to exercise their independent judgment.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board fuctions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Throughout the Period, the Company has three independent non-executive Directors and at all times met the requirement of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board, and at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual confirmation from each of the independent non-executive Directors of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with the independence guideline as set out in the Listing Rules.

Each of the non-executive and independent non-executive Directors was appointed for a term of three years and is subject to termination provisions as set out in the appointment contracts and provisions on retirement by rotation of the Directors as set out in the Articles of Association of the Company (the "Articles").

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In compliance with the code provision in A.4.2 of the CG Code, the Articles provide that any Director appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. In compliance with the code provision in A.4.2 of the CG code, the Articles also provide that 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 shall retire from office by rotation at each of the annual general meeting of the Company (the "AGM") provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices.

In accordance with the CG Code and Articles 105 of the Articles, Mr. Yip Chee Lai, Charlie and Mr. Yip Chee Way, David shall retire from office by rotation at the forthcoming AGM. In accordance with Articles 109 of the Articles, Mr. Yip Chee Seng and Mr. Yep Gee Kuarn shall also retire at the forthcoming AGM. Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yip Chee Seng and Mr. Yep Gee Kuarn, being eligible, will offer themselves for re-election.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and re-election and succession planning of Directors.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In compliance with the code provision in A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer are separated and assumed by different individuals to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman, Mr. Yip Chee Seng, is responsible for overall strategic development, branding and leading the product design and development of the Group while the Chief Executive Officer, Mr. Yip Chee Lai, Charlie, is responsible for overall day-to-day operation, management and strategic development of the Group and communication with key customers and suppliers. There is a clear division of responsibilities between the Chairman and Chief Executive Officer.

DIRECTORS' ATTENDANCE RECORDS

Two Board meetings were held during the Period.

Details of directors' attendance at the meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee held during the Period are set out in the following table:

	Number of meetings attended/held from the Listing Date to 31 March 2012			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Yip Chee Seng *(Chairman)*	2/2	—	—	—
Mr. Yip Chee Lai, Charlie *(Chief Executive Officer)*	2/2	—	—	—
Mr. Yip Chee Way, David	2/2	—	—	—
Non-executive Director				
Mr. Yep Gee Kuarn	2/2	—	—	Note 2
Independent Non-executive Directors				
Mr. Chan Yip Keung	2/2	2/2	Note 1	—
Mr. Chung Kin Fai	2/2	2/2	Note 1	Note 2
Ms. Lo Yee Hang	2/2	2/2	Note 1	Note 2

Notes:

1. The Remuneration Committee was established on 25 November 2011. No meeting of the Remuneration Committee was held from its date of establishment to 31 March 2012.

2. The Nomination Committee was established on 25 November 2011. No meeting of the Nomination Committee was held from its date of establishment to 31 March 2012.

No general meeting was held during the Period.

BOARD MEETINGS

Board meetings are held regularly for at least four times a year at approximately quarterly intervals and ad-hoc meetings are also convened if necessary to discuss the overall strategy as well as financial performance of the Group, and to review and approve the Group's annual and interim results. Notice of Board meeting is normally sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice is given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to all the Directors before meetings. All the Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to suggest matters in the agenda for Board meetings. Directors have access to the services of the Company Secretary to ensure that the Board procedures are followed.

Minutes of the board meetings and committee meetings are recorded in sufficient details of the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

A list of directors is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are encouraged to attend relevant training courses and seminars to strengthen their skill sets and knowledge on understanding of current issues and developments of the financial and business environment. During the Period, all the Directors have attended the briefings conducted by the Company Secretary pertaining to the updates on the Listing Rules. The Directors will continue to undergo training that may be required from time to time keeping abreast with latest changes in laws, regulations and the business environment.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee with written terms of reference on 25 November 2011 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee consists of three 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 primary duties of the Audit Committee include:

i. to review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditors before submission to the Board;

ii. to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and

iii. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee has reviewed Group's consolidated financial statements for the year ended 31 March 2012, including the accounting principles and practice adopted by the Group.

During the Period, the Audit Committee performed the duties and responsibilities under its terms of reference as published on the websites of the Stock Exchange and the Company and other duties of Revised Code.

Two Audit Committee meetings were held during the Period. At the meetings, the Audit Committee has performed the following:

i. reviewed the interim results of the Group for six months ended 30 September 2011;

ii. reviewed the financial status and performance of the Group; and

iii. discussed the audit planning for the financial year ended 31 March 2012.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference on 25 November 2011 in compliance with Rule 3.25 of the Listing Rules. The Remuneration Committee consists of three independent non-executive Directors, namely Ms. Lo Yee Hang, Mr. Chan Yip Keung and Mr. Chung Kin Fai. Ms. Lo Yee Hang is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include making recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure that none of the Directors or any of his/her associates will participate in determining or will determine their own remuneration.

The Board retains its power to determine the individual remuneration package of all individual Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group and at the recommendation of the Remuneration Committee.

All Directors do not participate in determining their own remuneration.

Details of the Directors' remuneration for the year ended 31 March 2012 are set out in note 14 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policy" section contained in the Management Discussion and Analysis on page 15.

No meeting of the Remuneration Committee was held during the Period. From the financial year ending on 31 March 2013, the Remuneration Committee will meet at least once a year.

Nomination Committee

The Company established the Nomination Committee with written terms of reference on 25 November 2011 in compliance with Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Chung Kin Fai, Mr. Yep Gee Kuarn and Ms. Lo Yee Hang. Mr. Chung Kin Fai is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include:

i. to review the structure, size and composition of the Board and make recommendations regarding any proposed changes;

ii. to identify suitable candidates for appointment as Directors;

iii. to make recommendations to the Board on appointment or reappointment of and succession planning for Directors; and

iv. to assess the independence of independent non-executive Directors.

When there is a vacancy, the Nomination Committee identifies suitably qualified candidates and reviews, among others, the character and integrity, qualifications, business experience relevant and beneficial to the Company, capabilities, knowledge, skills or experience and whether the candidates would satisfy those needs, and independence criteria as stipulated in the Listing Rules for independent non-executive directors, of such candidates for determining the suitability to the Group. After due and careful consideration by the Nomination Committee, it will proceed to recommend the identified candidates to the Board for consideration.

No meeting of the Nomination Committee was held during the Period. From the financial year ending 31 March 2013, the Remuneration Committee will meet at least once a year.

CORPORATE GOVERNANCE

The Board is entrusted with the overall responsibility to maintain a good standard of corporate governance practices and business ethics within the Group. Under the terms of reference of the corporate governance function, the Board is responsible to develop and review the Company's policies and practices on corporate governance and make recommendations; review and monitor the training and continuous professional development of Directors and senior management; review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and review the Company's compliance with the code and disclosure in the Corporate Governance Report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Directors' Responsibility on the Financial Statements

The Directors acknowledge their responsibility for preparing, with the support from the finance department of the Group, the financial statements of the Company and the Group and are responsible for overseeing the preparation of financial statements for the year ended 31 March 2012 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards.

In the preparation of financial statements, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards have been consistently complied with. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

A statement from the auditor about its reporting responsibilities on the financial statements is set out on page 48 of this annual report.

Independent Auditors' Remuneration

For the year ended 31 March 2012, apart from the provisions of annual audit services, the Group's independent auditors, Deloitte Touche Tohmatsu, were also the reporting accountants of the Company in relation to the Listing. For the year ended 31 March 2012, the total fee/remuneration paid or payable in respect of audit and reporting accountants in relation to the Listing set out below:

	2011/12 HK$'000
Annual audit services	980
Reporting accountants in relation to the Listing	4,300
Non-audit services*	300
Total	5,580

* Non-audit services fee paid during the year ended 31 March 2012 comprises mainly of fee for the review of interim financial information of the Company for the six months period ended 30 September 2011.

The Audit Committee will recommend the re-appointment of Deloitte Touche Tohmatsu for audit service, and consider the engagement of the non-audit services to ensure the independence and objectively of audit service.

Internal Controls

The 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, the Directors believe that the Group is financially independent from the controlling shareholders of the Company and their/its associates.

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

After reviewing the Group's internal control system, the Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) there were adequate staffs with appropriate qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31 March 2012.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries, Mr. Wong Yoon Thim and Ms. Lim Yi Ping, are responsible in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed and advising the Board through the Chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

The profile of Mr. Wong Yoon Thim is set out in the "Biographies of Board of Directors and Senior Management" section in this annual report while Ms. Lim Yi Ping is the other joint company secretary (who has been appointed by the Board and who has been so nominated by Boardroom Corporate Services (HK) Limited ("BCS") under an engagement letter made between the Company and BCS). The primary corporate contact person at the Company is Mr. Wong Yoon Thim.

The Joint Company Secretaries have been informed of the requirement under Rule 3.29 of the Listing Rules and their compliance with such requirement for the year ending 31 March 2013 will be reported in the next corporate governance report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company aims to maintain amicable relationships with its shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and shareholders through publishing interim reports, annual reports and announcements and the Company's website.

The hotline of the Company is +852 25494611, and its fax number is +852 25590126, through which the Company makes replies to the written or direct enquiries regarding all kinds of matters by shareholders and investors.

In addition, annual/interim reports, announcements and press releases are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.otobodycare.com, which are constantly being updated in a timely manner and so contain additional information on the Group's business.

AGM is an important channel for directors and shareholders to communicate with each other. Shareholders are given the opportunity to participate actively during the AGMs and query the Board and management regarding the Group's business and financial statements. The chairman of the Company himself presides over the AGM to ensure the opinions of the directors can be passed directly to the Board. In an AGM, the Board and chairman of the Audit Committee will participate in the questions raised by shareholders, and the chairman will come up with individual resolutions in respect of every event raised in the AGM.

Procedures for shareholders to convene an Extraordinary General Meeting

The following procedures are subject to the memorandum of association and the Articles of the Company (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.
- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.
- The Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the articles of association of the Company to all the registered shareholders of the Company. On the contrary, if the Requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.
- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an extraordinary general meeting following the procedures set out above.

Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong by post or by fax to +852 25590126 for the attention of the Company Secretary. Upon receipt of the enquiries, the Company Secretary will forward:

1. communications relating to matters within the Board's purview to the executive Directors of the Company;
2. communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and
3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 March 2012.

GROUP REORGANIZATION AND INITIAL PUBLIC OFFER

OTO Holdings Limited (the "Company") was incorporated in the Cayman Islands on 20 January 2011 as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Pursuant to a group reorganization to rationalize the structure of the Group in preparation of the listing of the Company's shares on the main board of the Stock Exchange (the "Group Reorganization"), the Company became the holding company of the Group. Further details are set out in the paragragh headed "Group Reorganisation" in Appendix VI to the Prospectus.

The shares of the Company were listed on the Stock Exchange on 13 December 2011 by offering 80,000,000 ordinary shares of at a final offer price of HK$1.58 per share.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 50. Other movements in reserves are set out in the consolidated statement of changes in equity on pages 53 and 54.

The Board has recommended a final dividend of US cents 0.122 per share (or equivalent to HK cents 0.950 per share) and a special dividend of US cents 0.183 per share (or equivalent to HK cents 1.430 per share) for the year ended 31 March 2012. Subject to the approval at the forthcoming AGM, the final dividend and the special dividend will be payable on or around 18 September 2012 to the shareholders of the Company whose name appear on the register of members of the Company as on 24 August 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 118 of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year ended 31 March 2012 are set out in note 31 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2012, the Company's aggregate amounts of reserves available for distribution were approximately HK$243,909,000, of which approximately HK$7,616,000 has been proposed as Final and Special dividends for the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or applicable laws of the Cayman Islands where the Company was incorporated.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 18 to the consolidated financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 30 to the consolidated financial statements. Bank borrowings repayable within one year or on demand are classified as current liabilities in the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2012, the Group's sales to its five largest customers accounted for approximately 10.5% of the Group's total sales and the Group's sales to its largest customer for the year accounted for approximately 5.0% of the Group's total sales. The Group's five largest suppliers accounted for approximately 77.3% of the Group's total purchases, while the largest supplier for the year accounted for approximately 38.2% of the Group's total purchases.

None of the Directors or their respective associates or, to the knowledge of the Directors, any of the shareholders of the Company who owns more than 5% of the Company's issued share capital has any interest in any of the Group's five largest customers or suppliers during the year ended 31 March 2012.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$1,000,000 (2011: Nil).

EMPLOYEES

As at 31 March 2012, the Group had a total number of 176 (31 March 2011: 125) full-time employees. The table below shows a breakdown of the Group's employees by their responsibilities:

Department	Number of employees
Retail	123
International Business	1
Design & Development & Procurement	2
Accounts and Finance	7
Marketing and Purchase	2
Administration and Human Resources	12
Logistics	11
Technical and Service	5
Customer Service	5
Senior Management	8
Total	**176**

Total staff costs for the year ended 31 March 2012 amounted to approximately HK$36.7 million.

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 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.

Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the Share Option Scheme (as defined below). During the year ended 31 March 2012, no share option was granted to employees.

DIRECTORS

The Directors during the year ended 31 March 2012 and up to the date of this report were:

Executive Directors

Mr. Yip Chee Seng *(Chairman)*	(Date appointed : 11 February 2011)
Mr. Yip Chee Lai, Charlie *(Chief Executive Officer)*	(Date appointed : 26 May 2011)
Mr. Yip Chee Way, David	(Date appointed : 26 May 2011)

Non-executive Director

Mr. Yep Gee Kuarn	(Date appointed : 11 February 2011)

Independent non-executive Directors

Mr. Chan Yip Keung	(Date appointed : 25 November 2011)
Mr. Chung Kin Fai	(Date appointed : 25 November 2011)
Ms. Lo Yee Hang	(Date appointed : 25 November 2011)

According to the Articles, the newly appointed Directors are subject to re-election at the following annual general meeting. Furthermore, one-third of the Directors for the time being, if the number of Directors is not three or a multiple of three, then the number of Directors nearest to but not less than one-third, shall retire from office but eligible for re-election, and every Director shall be subject to retirement by rotation at least once every three years at annual general meeting. Accordingly, Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David and Mr. Yep Gee Kuarn will retire at the forthcoming AGM and, being eligible, offer themselves for re-election as Directors.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of all the Directors and the senior management are set out on pages 42 to 47 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors had entered into a service agreement with the Company for a term of three years with effect from 1 December 2011 which is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles.

Each of the non-executive and independent non-executive Directors had been appointed for an initial term of three years with effect from 25 November 2011 and is subject to termination provisions as set out in the appointment contracts and provisions on retirement by rotation of the Directors as set out in the Articles.

None of the Directors proposed for re-election at the forthcoming AGM of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The Remuneration Committee considers and recommends to the Board on the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of the emoluments of every Director for the year ended 31 March 2012 is set out in note 14 to the consolidated financial statements.

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

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) 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 were taken or deemed to have taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

(i) Long position in shares of the Company

Name of Director	Capacity /Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Yip Chee Seng (note)	Interest of controlled corporation and deemed interest	207,960,000	65.0%
Mr. Yip Chee Lai, Charlie (note)	Interest of controlled corporation and deemed interest	207,960,000	65.0%
Mr. Yip Chee Way, David (note)	Interest of controlled corporation and deemed interest	207,960,000	65.0%
Mr. Yep Gee Kuarn (note)	Interest of controlled corporation and deemed interest	207,960,000	65.0%

Note:

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 holds 207,960,000 shares as at the date of this report. 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 the shares in which BSEL is interested pursuant to section 318 of the SFO.

(ii) **Long position in shares of the Company's associated corporations:**

Name of Director	Name of associated corporation	Number of Shares	Approximate percentage of shareholding
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%

Saved as disclosed above, as at 31 March 2012, none of the Directors and chief executive of the Company had any interest or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the notes 27 and 32 to the consolidated financial statements and in the section "Continuing Connected Transactions", no contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the Prospectus and below, during the year and up to the date of this report, none of the Directors nor their respective associates had interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as directors to represents the interests of the Company and/or the Group.

Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, the Directors of the Company, and their respective associates, are interested in OTO Bodycare Pte. Ltd. ("OTO Singapore") and OTO Bodycare Sdn. Bhd. ("OTO Malaysia"). OTO Singapore is principally engaged in the retail sales of health and wellness products in Singapore while OTO Malaysia is principally engaged in the retail sales of health and wellness products in Malaysia. During the year under review, the Group, OTO Singapore and OTO Malaysia did not have any overlapping customers. OTO Singapore sourced its products from the same manufacturers as those of the Group and OTO Malaysia sourced all its products from OTO Singapore.

OTO Singapore and OTO Malaysia were not included in the Group as:

i. there is a clear geographical delineation in business activities of the Group and that of OTO Singapore and OTO Malaysia. The Group operates principally in Hong Kong, Macau and the PRC whereas OTO Singapore and OTO Malaysia are in the retail business of selling health and wellness products to local domestic retail customers in Singapore and Malaysia.

ii. there is a clear delineation in development and growth strategies of the Group and those of OTO Singapore and OTO Malaysia. In respect of brand and products promotion, the Group mainly adopts television advertising and spokespersons whereas OTO Singapore adopts traditional channels such as newspapers, magazines and radio and OTO Malaysia adopts sales promoters and representatives at retail outlets. In respect of sales, the sales of the Group are mainly through retail stores, consignment counters, roadshow counters, corporate sales and international sales, whereas the sales of OTO Singapore are mainly through retail stores and roadshow counters with limited number of consignment counters and corporate sales, and the sales of OTO Malaysia are mainly through retail stores, with limited number of consignment counters and roadshow counters. In respect of growth strategies, the Group focuses on expansion via opening of new retail stores in the PRC whereas OTO Singapore and OTO Malaysia focuses on offering product bundles.

As such, there are no actual or potential competition between the Group and OTO Singapore and OTO Malaysia. Details of OTO Singapore and OTO Malaysia are set out in the Prospectus.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no time during the year ended 31 March 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

As at 31 March 2012, to the best knowledge of the Directors, the following persons, other than the Directors and chief executive of the Company, had 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 would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Long position in shares of the Company

Name of Shareholder	Capacity /Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
BSEL (note 1)	Beneficial owner	207,960,000 (note 1)	65.0%
Ms. Yap Hui Meng (note 2)	Interest of spouse	207,960,000 (note 2)	65.0%
Ms. Yeo Bee Lian (note 2)	Interest of spouse	207,960,000 (note 2)	65.0%
Ms. Yeo Lang Eng (note 2)	Interest of spouse	207,960,000 (note 2)	65.0%
Ms. Tan Swee Geok (note 2)	Interest of spouse	207,960,000 (note 2)	65.0%
Mr. Tan Beng Gim (note 1)	Interest of controlled corporation and deemed interest	207,960,000 (note 1)	65.0%
Ms. Lee Lay Hoon (note 2)	Interest of spouse	207,960,000 (note 2)	65.0%
Ms. Chua Siew Hun (note 1)	Interest of controlled corporation and deemed interest	207,960,000 (note 1)	65.0%
Dr. Lim Kim Show (note 2)	Interest of spouse	207,960,000 (note 2)	65.0%

Notes :

1. 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 207,960,000 shares. 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.

2. 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 shares owned by BSEL pursuant to the confirmatory agreement as mentioned in note 1 above. Their respective spouses, being Ms. Yap Hui Meng, Ms. Yeo Bee Lian, Ms. Yeo Lang Eng, Ms. Tan Swee Geok, Ms. Lee Lay Hoon and Dr. Lim Kim Show, are therefore deemed under the SFO to be interested in the said long position in which each of them are deemed to be interested.

Save as disclosed above, as at 31 March 2012, the Directors were 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 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 registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") on 25 November 2011 for the purpose of recognizing and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors 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:

(a) any employee ("Eligible Employee") (whether full-time or part-time including any executive Director but excluding any non-executive Director) of the Company, any of the subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(h) 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.

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 on the day on which trading of the shares commenced on the main board of the Stock Exchange, being 32,000,000 shares.

Unless otherwise approved by the Company's shareholders in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors. Unless otherwise approved by the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules, any grant of options to a substantial shareholder or independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the company (including both exercised and outstanding options) shall not represent in aggregate over 0.1% of the shares in issue and has an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of the grant; and (c) the nominal value of the share. Each grantee shall pay HK$1.00 to the Company at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted (i.e. 25 November 2011) and shall remain effective within a period of 10 years from that date (i.e. the Share Option Scheme shall expire on 25 November 2021).

No share options were granted under the Share Option Scheme for the year ended 31 March 2012 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, or sold or redeemed any of the Company's securities during the year ended 31 March 2012 other than the initial public offering of the shares in December 2011 as disclosed in the Prospectus.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the Period.

CONTINUING CONNECTED TRANSACTIONS

(a) Exempted continuing connected transactions

As disclosed in the Prospectus, the following transactions fall within the de minimis exemption under the Rule 14A.33(3) (a) of the Listing Rules and are therefore exempt from the reporting, announcement and independent shareholders' approval requirements:

Tenancy agreement with Mr. Yip Chee Lai, Charlie regarding staff quarter

Pursuant to a tenancy agreement dated as of 1 September 2011 and entered into between OTO Bodycare (H.K.) Limited ("OTO HK") as tenant and Mr. Yip Chee Lai, Charlie on behalf of the landlords (being Mr. Yip Chee Lai, Charlie 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. Mr. Yip Chee Lai, Charlie is a controlling Shareholder and an executive Director, and is therefore a connected person of the Company under Chapter 14A of Listing Rules. The transaction under the tenancy agreement therefore constitutes a connected transaction under Chapter 14A of the Listing Rules.

During the year under review, the total amount of rental paid by the Group was HK$120,000.

The details of the transactions during the year ended 31 March 2012 are set out in note 36 to the consolidated financial statements.

(b) Continuing connected transactions subject to the reporting and announcement requirements

As disclosed in the Prospectus, the following transactions fall under the continuing connected transactions subject to the reporting and announcement requirements. The Company has applied 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 following transactions pursuant to Rule 14A.42(3) of the Listing Rules for the period up to the year ending 31 March 2014.

Agreement for sharing of research and development fees

On 25 November 2011, the Group entered into an Agreement ("Master Agreement") for sharing of research and development expenses ("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 incurred by the Group on the terms and conditions stated therein, and OTO Singapore and OTO Malaysia are allowed to source the Group products directly from the Group's designated suppliers. The Master Agreement will have a term of three years from 25 November 2011 and the Group has an option to renew (subject to the requirement under the Listing Rules being complied with) the agreement upon its expiry for a further term of three years under the same terms. As the Controlling Shareholders (as hereinafter defined) (other than BSEL and Mr. Yip Chee Lai, Charlie) together own approximately 92.0% of the issued share capital in OTO Singapore, and that Mr. Yep Gee Kuarn, the non-executive Director of the Company, is a director of OTO Singapore, the transactions under the Master Agreement therefore constitute a connected transaction under Chapter 14A of the Listing Rules. Mr. Yip Chee Seng, the Executive Director of the Company, and Mr. Yep Gee Kuarn, the non-executive Director of the Company, together directly own approximately 92.0% of the issued share capital in OTO Malaysia, and Mr. Yep Gee Kuarn is a director of OTO Malaysia, the transactions under Master Agreement therefore also constitute a connected transaction under Chapter 14A of the Listing Rules.

During the year under review, the total amount of R&D expenses borne by the Group was HK$468,000 and the waiver granted by the Stock Exchange was HK$1,300,000.

The Directors (including the independent non-executive Directors) of the Company had reviewed the above connected transactions and confirmed that the connected transaction had been entered into in the ordinary and usual course of business, on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

The details of the transactions during the year ended 31 March 2012 are set out in note 36 to the consolidated financial statements.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 : Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter to the Board containing his findings and unqualified conclusions in respect of the continuing connected transactions of the Group set out in the above in accordance with the Listing Rules 14A.38.The auditor concluded that nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions:

(a) have not been approved by the Directors;

(b) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(c) have exceeded the annual cap amounts for the year ended 31 March 2012 which were set out in the Prospectus.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 36 to the consolidated financial statements, and saved as disclosed in "Continuing Connected transactors" above, none of which constitutes a connected transaction as defined under the Listing Rules.

DEED OF NON-COMPETE UNDERTAKINGS

As disclosed in the Prospectus, the Company has entered into a deed of non-compete undertakings (the "Deed of Non-Compete Undertakings") with BSEL, 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 (the "Controlling Shareholders") on 25 November 2011 so as to better safeguard the Group from any potential competition and to formalize the principles for the management of potential conflicts between them and to enhance the Group's Corporate Governance in connection with the listing of the shares on the Stock Exchange.

The independent non-executive Directors have reviewed compliance by the Controlling Shareholders and confirmed that based on confirmations and information provided by each of the Controlling Shareholders, they were in compliance with the Deed of Non-Compete Undertakings during the period from 25 November 2011 to 31 March 2012.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming AGM.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Friday, 10 August 2012 to Wednesday, 15 August 2012, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong not later than 4:30 p.m. on Thursday, 9 August 2012.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL AND SPECIAL DIVIDENDS

The register of members of the Company will be closed from Tuesday, 21 August 2012 to Friday, 24 August 2012, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final and special dividends, all transfer forms of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong not later than 4:30 p.m. on Monday, 20 August 2012.

On behalf of the Board
Yip Chee Seng
Chairman and Executive Director

Hong Kong, 15 June 2012

Biographies of each director and members of the senior management team are set out below:

EXECUTIVE DIRECTORS

Mr. Yip Chee Seng ("Mr. CS Yip"), aged 62, is the chairman and executive Director of the Company. Mr. CS Yip was appointed as a Director on 11 February 2011. He is a co-founder of the Group and is responsible for the overall strategic development, branding and leading the product design and development of the 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. Yep Gee Kuarn's wife, Ms. Tan Swee Geok. He has been contributing to and overseeing the development of "OTO" brand business. He has over 30 years of experience in the retail sector. Mr. CS Yip has been leading the development of the Group's health and wellness products. 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 the Company, Mr. CS Yip did not hold any directorship in any public companies in the past three years.

Mr. CS Yip is a brother of each of Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David and Mr. Yep Gee Kuarn, each being a Director and a Controlling Shareholder. Mr. CS Yip's son, Mr. Yip Chan Yong, is a supervisor of OTO Shanghai and he is the nephew of the other Yip Brothers.

Mr. Yip Chee Lai, Charlie ("Mr. Charlie Yip"), aged 53, is the chief executive officer ("CEO") of the Group and executive Director of the Company. Mr. Charlie Yip was appointed as a Director on 26 May 2011. He is responsible for the Group's day-to-day operation, management and strategic development of the Group and communication with key customers and suppliers. He is also responsible for the sales and retail operation of the 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 the Group's operations in Hong Kong upon incorporation of OTO Bodycare (H.K.) Limited. Together with Mr. CS Yip and Mr. Yip Chee Way, David, 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 the Company, Mr. Charlie Yip did not hold any directorship in any public companies in the past three years.

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

Mr. Yip Chee Way, David ("Mr. David Yip"), aged 50, is an executive Director of the Company. Mr. David Yip was appointed as a Director on 26 May 2011. He is responsible for executing the 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 Mr. CS Yip and Mr. Charlie Yip, Mr. David Yip has been contributing to the Group's business development and branding activities, in particular he implemented a series of branding exercises and marketing campaigns to build the "OTO" brand. Mr. David Yip is also principally responsible for setting up the export business for "OTO" brand products. Save for being a Director of the Company, Mr. David Yip did not hold any directorship in any public companies in the past three years.

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

NON-EXECUTIVE DIRECTOR

Mr. Yep Gee Kuarn ("Mr. GK Yep"), aged 69, is a non-executive Director of the Company. Mr. GK Yep was appointed as a Director on 11 February 2011. He is a co-founder of the Group and responsible for advising on the 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 the 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. Save for being a Director of the Company, Mr. Yep did not hold any directorship in any public companies in the past three years.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yip Keung, aged 46, was appointed as an independent non-executive Director of the Company on 25 November 2011. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. 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 had been a part-time senior lecturer from September 2000 until May 2012.

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. He is an associate member of the Institute of Chartered Accountants in England and Wales since 2007. He is also a fellow member of the Hong Kong Institute of Directors since June 2012. 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.

Saved for being a Director of the Company, Mr. Chan did not hold any directorship in any other public companies in the past three years.

Mr. Chung Kin Fai, aged 43, was appointed as an independent non-executive Director of the Company on 25 November 2011. He is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. 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.

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.

Saved for being a Director of the Company, Mr. Chung did not hold any directorship in any other public companies in the past three years.

Ms. Lo Yee Hang, aged 36, was appointed as an independent non-executive Director of the Company on 25 November 2011. She is also the chairman of the Remuneration Committee and a member of the Audit committee and the Nomination Committee. 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.

Saved for being a Director of the Company, Ms. Lo did not hold any directorship in any other public companies in the past three years.

The Directors have confirmed that there is no other information which is required to be disclosed under Rule 13.51 (2)(h)-(v) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Wong Yoon Thim, aged 38, joined the Group in 2010 and was appointed as the Group Financial Controller. His responsibilities include overseeing the financial, accounting and taxation aspects of the Group. Mr. Wong completed GCE Advance level in 1993. He was admitted as a member of the Association of Chartered Certified Accounts 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. Bhd., a subsidiary of Muhibbah 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 the Group.

Ms. Siu Yuet Tong, aged 35, joined the Group in 2006 and was appointed as the Marketing Manager. She assists the CEO of the Group in formulating and executing the Group's marketing and corporate sales strategy.

Ms. Siu graduated form 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).

Ms. Yeo Bee Lian, aged 49, is the Group's Human Resource and Administration Manager. She is responsible for the 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 the Group, she worked as a general clerk in a trading firm between 1982 to 1987. She joined the Group as a general clerk in August 1987. Ms. Yeo also served the Group as a customer support staff. She has been in her present position with the Group since January 1990. She is also the spouse of Mr. Charlie Yip, an executive Director and a Controlling Shareholder.

Mr. Li Pak Wing, Joey, aged 43, is the Regional Retail Sales Manager in Hong Kong. He is responsible for the Group's Hong Kong retail operations and involves in developing sales and marketing strategies. He is also in charge of the in-house training programme for the Group's Hong Kong staff.

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 loal companies from 1989 to 1998. He joined the Group in March 1998 as a salesman before being promoted as 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.

Deloitte.
德勤

TO THE SHAREHOLDERS OF OTO HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of OTO Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 117, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 June 2012

OTO BODYCARE

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	8	**245,658**	209,402
Other income	9	**6,434**	4,700
Other gains and losses	10	**1,354**	1,185
Changes in inventories of finished goods		**(861)**	1,574
Finished goods purchased		**(77,694)**	(59,773)
Staff costs		**(36,728)**	(29,186)
Depreciation and amortisation expense		**(1,471)**	(1,465)
Finance costs	11	**(333)**	(404)
Listing expenses		**(19,266)**	(2,691)
Other expenses		**(95,689)**	(79,308)
Profit before tax	12	**21,404**	44,034
Income tax expense	13	**(6,157)**	(6,855)
Profit for the year		**15,247**	37,179
Other comprehensive income:			
Fair value (loss) gain on available-for-sale investments		**(89)**	48
Reclassification for cumulative fair value loss attributable to disposal of available-for-sale investments to profit or loss		**191**	—
Exchange difference arising on translation		**107**	—
		209	48
Total comprehensive income for the year		**15,456**	37,227
Earnings per share	17		
Basic (HK$)		**0.06**	0.17

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	18	**6,462**	5,540
Investment properties	19	**6,700**	6,050
Deferred tax assets	20	**578**	889
Deposit placed at an insurance company		**3,016**	1,602
Utility and other deposits paid		**7,917**	7,142
Investments at fair value through profit or loss	21	**—**	1,922
		24,673	23,145
Current assets			
Inventories	22	**7,242**	6,856
Investments at fair value through profit or loss	21	**1,934**	2,779
Available-for-sale investments	23	**—**	378
Trade and other receivables	24	**31,972**	17,067
Amounts due from related parties	25	**166**	1,440
Amount due from a director	25	**—**	995
Tax recoverable		**1,572**	3,182
Pledged bank deposits	26	**15,918**	6,406
Bank balances and cash	26	**221,211**	108,233
		280,015	147,336
Asset classified as held for sale	27	**—**	1,582
		280,015	148,918
Current liabilities			
Trade and other payables	28	**21,769**	14,789
Amounts due to directors	25	**—**	2,827
Amount due to a related party	25	**—**	2,490
Amounts due to shareholders	25	**—**	223
Obligations under a finance lease	29	**76**	—
Dividend payables		**—**	10,171
Tax payable		**1,903**	258
Bank borrowings	30	**13,825**	13,118
		37,573	43,876
Net current assets		**242,442**	105,042
Total assets less current liabilities		**267,115**	128,187

	NOTES	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	31	**24,960**	1,029
Reserves		**241,977**	127,158
		266,937	128,187
Non-current liability			
Obligations under a finance lease	29	**178**	—
		267,115	128,187

The consolidated financial statements on pages 50 to 117 were approved and authorised for issue by the Board of Directors on 15 June 2012 and are signed on its behalf by:

Yip Chee Seng
DIRECTOR

Yip Chee Lai, Charlie
DIRECTOR

	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (note iii)	Retained profits HK$'000	Total HK$'000
At 1 April 2010	1,029	—	(150)	—	—	—	94,081	94,960
Profit for the year	—	—	—	—	—	—	37,179	37,179
Other comprehensive income for the year								
Fair value gain on available-for-sale investments	—	—	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 year	—	—	—	—	—	—	15,247	15,247
Other comprehensive (expense) income for the year								
– fair value loss on available-for-sale investments	—	—	(89)	—	—	—	—	(89)
– reclassification for cumulative fair value loss attributable to disposal of available-for-sale investments to profit or loss	—	—	191	—	—	—	—	191
– exchange difference arising on translation	—	—	—	107	—	—	—	107
	—	—	102	107	—	—	—	209
Total comprehensive income for the year	—	—	102	107	—	—	15,247	15,456

	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (note iii)	Retained profits HK$'000	Total HK$'000
Group reorganisation (note i)	6,147	124,911	—	—	(131,058)	—	—	—
Issue of shares to Pre-IPO investors (note 31)	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
Capitalisation issue (note 31)	10,920	(10,920)	—	—	—	—	—	—
Issue of shares pursuant to global offerings (note 31)	6,240	120,160	—	—	—	—	—	126,400
Transaction costs attributable to issue of shares	—	(14,045)	—	—	—	—	—	(14,045)
Transfer to statutory reserve	—	—	—	—	—	393	(393)	—
At 31 March 2012	24,960	227,810	—	107	(128,447)	393	142,114	266,937

Notes:

(i) Pursuant to a group reorganisation (the "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, 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. 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 consolidated financial statements.

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). 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 disclosed in note 32, 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.

(iii) The Article of Association of OTO Shanghai requires the appropriation of 10% of its profit after tax determined in accordance with generally accepted priniciples of the PRC to the statutory reserve. The statutory reserve should only be used for making up losses, capitalisation into capital and expansion of the production and operation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**21,404**	44,034
Adjustments for:		
Impairment loss recognised on trade receivables	**—**	14
Reversal of impairment loss on trade receivables	**—**	(800)
Loss (gain) on fair value of investments at fair value through profit or loss	**146**	(63)
Loss on disposal of available-for-sale investments	**191**	—
Depreciation of property, plant and equipment	**1,471**	1,465
Finance costs	**333**	404
Gain on fair value of investment properties	**(650)**	(1,280)
Gain on disposal of property, plant and equipment, including asset classified as held for sale	**(1,111)**	—
Dividend income from investments in listed equity securities	**(22)**	(5)
Interest income	**(921)**	(282)
Operating cash flows before movements in working capital	**20,841**	43,487
Decrease (increase) in inventories	**861**	(1,574)
Increase in trade and other receivables	**(10,813)**	(341)
Increase in amounts due from related parties	**(655)**	(312)
Increase in trade and other payables	**4,690**	530
Increase in utility and other deposits paid	**(775)**	(1,000)
(Decrease) increase in amount due to a related party	**(2,490)**	948
Cash generated from operations	**11,659**	41,738
Hong Kong Profits Tax paid	**(2,750)**	(18,997)
Macau Complimentary Income Tax paid	**(178)**	(354)
PRC Enterprise Income Tax paid	**(220)**	—
NET CASH FROM OPERATING ACTIVITIES	**8,511**	22,387

	NOTE	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Advance to a director		**(338)**	(995)
Repayment from a director		**1,333**	—
Acquisition of a subsidiary	32	**344**	—
Proceeds from redemption of equity-linked note		**2,000**	—
Proceeds from disposal of available-for-sale investments		**289**	—
Proceeds from disposal of listed shares		**621**	—
Dividend received from investments in listed equity securities		**22**	5
Interest received		**921**	282
Proceeds from disposal of property, plant and equipment, net		**2,999**	—
Additions of property, plant and equipment		**(2,247)**	(2,093)
Increase in deposit placed at an insurance company		**(1,414)**	(714)
Increase in pledged bank deposits		**(9,512)**	(3)
Advance to related parties		**(6)**	(273)
Repayment from related parties		**1,134**	5
NET CASH USED IN INVESTING ACTIVITIES		**(3,854)**	(3,786)
FINANCING ACTIVITIES			
Dividend paid		**(10,171)**	(14,762)
Repayment of obligations under finance leases		**(119)**	(225)
Interest paid		**(333)**	(404)
Repayment to directors		**(2,827)**	(324)
Repayment to shareholders		**(223)**	(18)
Loan from ultimate holding company		**1,170**	—
Repayment to a related party		**(664)**	—
Increase (decrease) in import trade and trust receipt loans		**2,742**	(509)
Repayment of bank loans		**(2,035)**	(1,964)
Cash receipt from issuance of new shares		**134,728**	—
Payments of transaction costs attributable to issue of new shares		**(14,045)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**108,223**	(18,206)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	NOTE	2012 HK$'000	2011 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**112,880**	395
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**108,233**	107,838
Effect of foreign exchange rate changes		**98**	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**221,211**	108,233

1. GENERAL

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 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 Road 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.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 40.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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").

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as "new and revised HKFRSs"), which are effective for accounting periods beginning on 1 April 2011, since the year beginning on 1 April 2010.

New and revised HKFRSs issued but not effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011

[2] Effective for annual periods beginning on or after 1 January 2013

[3] Effective for annual periods beginning on or after 1 January 2015

[4] Effective for annual periods beginning on or after 1 January 2012

[5] Effective for annual periods beginning on or after 1 July 2012

[6] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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 was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31 March 2012, the directors of the Company anticipate that the application of HKFRS 9 will have no impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for Group's financial statements for annual periods beginning on 1 April 2013, with earlier application permitted.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The directors anticipate that the application of HKFRS 13 will have no material impact on the amounts reported in the consolidated financial statements but require more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 April 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

4. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements 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 (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 consolidated financial statements incorporate the financial statement 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 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.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree 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.

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 the goods are delivered and titles have passed, at which time 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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 supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. 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 income 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 leasehold land (classified as finance leases) and buildings held for use in the supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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. 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 property (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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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 statement 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 considered to be 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, in addition, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, 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 through profit or loss. 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 through profit or loss 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 entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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 (including all fees and points 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 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, directors and shareholders, dividend payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 statement 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 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.

Current and deferred tax are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets

At the end of the 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 the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

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 the 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. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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 under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 period in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 March 2012 amounting to HK$28,171,000 (2011: HK$14,410,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 2012 amounting to HK$7,242,000 (2011: HK$6,856,000).

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 statement of comprehensive income. The carrying amount of investment properties as at 31 March 2012 amounting to HK$6,700,000 (2011: HK$6,050,000).

6. 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 from prior year.

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.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**268,482**	133,086
Available-for-sale investments	**—**	378
FVTPL		
Held for trading	**—**	800
Designated as at FVTPL	**1,934**	3,901
	270,416	138,165
Financial liabilities		
Liabilities at amortised cost	**32,053**	36,537

(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 bank borrowings.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**8,966**	2,799	**20,956**	13,419
HK$	**4,636**	13,234	**—**	—
Renminbi ("RMB")	**10,598**	10,124	**—**	—
Singapore dollar ("SGD")	**2,568**	2,618	**—**	2,274

Sensitivity analysis

As US$ and MOP are pegged to HK$, the sensitivity analysis does not include US$ denominated assets held by entity with HK$ as its functional currency and HK$ 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 HK$.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk (Continued)

Sensitivity analysis *(Continued)*

The following table details the Group's sensitivity to a 10% (2011: 10%) increase or decrease in HK$ 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 the reporting period for a 10% (2011: 10%) change in foreign currency rates. The following table indicates the impact to the profit after tax where HK$ strengthens 10% (2011: 10%) against the foreign currency. For a 10% (2011: 10%) weakening of HK$ against the foreign currency, there would be an equal and opposite impact on the profit after tax.

	RMB Impact		**SGD Impact**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease in profit after tax	**(885)**	(845)	**(214)**	(29)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(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.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Interest rate risk (Continued)

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 on the Group's results for the year is not significant as the interest rates are low and did not fluctuate significantly during the years.

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. A 50 basis points (2011: 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 (2011: 50 basis points) higher and all other variables were held constant, the potential effect on the Group's profit after tax during the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Decrease in profit after tax	**58**	55

If interest rates had been 50 basis points (2011: 50% basis points) lower and all other variables were held constant, there would be an equal and opposite impact on the profit after tax.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(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.

Sensitivity analysis

The sensitivity analysis 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 would increase/decrease by HK$193,000 (2011: HK$392,000) 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 HK$38,000 for the year ended 31 March 2011 as a result of the changes in fair value of available-for-sale investments.

(iv) Credit risk

At the end of the 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 statement 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 the 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 amounts due from a director and related parties are insignificant after considering the financial strength of these related entities.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Credit risk (Continued)

The Group has concentration of credit risk as 39% (2011: 54%) of the total trade receivables represented amounts due from the Group's largest five trade debtors which mainly include department stores and wholesale customers.

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.

(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.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(v) Liquidity risk (Continued)

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 HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2012 HK$'000
As at 31 March 2012						
Non-derivative financial liabilities						
Trade and other payables	—	18,228	—	—	18,228	18,228
Bank borrowings at variable interest rate	2.47	13,876	—	—	13,876	13,825
Obligations under a finance lease	3.75	22	66	204	292	254
		32,126	66	204	32,396	32,307

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(v) Liquidity risk (Continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2011 HK$'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 borrowings at variable interest rate	4.18	13,188	—	—	13,188	13,118
		36,607	—	—	36,607	36,537

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 2012 and 2011, the aggregate undiscounted principal amounts of these bank loans amounted to HK$1,044,000 and HK$3,079,000 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 of bank borrowings in "Repayable on demand or less than 3 months", "3 months to 1 year" and "over 1 year" time bands as at 31 March 2012 and 2011 will amount to HK$13,359,000, HK$527,000 and HK$Nil, HK$10,637,000, HK$1,582,000 and HK$1,062,000 respectively.

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 the reporting period.

7. FINANCIAL INSTRUMENTS *(Continued)*

(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 consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement 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 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Investment at FVTPL	**—**	**—**	**1,934**	**1,934**

	As at 31 March 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Investment at FVTPL	800	—	3,901	4,701
Available-for-sale investments	—	378	—	378

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair values of equity linked notes are classified as Level 3 fair value measurements and the movements during the year represent gain or loss from changes in fair value which were recognised in profit or loss and redemption upon maturity during the year.

There were no transfer between different levels during both years.

8. 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 year.

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 the People's Republic of China other than Hong Kong and Macau ("PRC"), in which the operating units of the Group are based. Segment information in PRC was presented for the current year upon acquisition of OTO Shanghai in June 2011, details of which are set out in note 32.

No revenue from any single customer during the year contributed over 10% of the total revenue of the Group.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments, i.e. the three geographical locations as mentioned above, for the year:

Year ended 31 March 2012

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000
Revenue				
External sales	200,116	25,516	20,026	245,658
Inter-segment sales	10,268	25	2,944	13,237
Segment revenue	210,384	25,541	22,970	258,895
Elimination				(13,237)
Group revenue				245,658
Segment profit	53,458	7,464	6,142	67,064
Unallocated administrative expense				(28,336)
Listing expenses				(19,266)
Other gains and losses				1,354
Interest income				921
Finance costs				(333)
Profit before tax				21,404
Income tax expense				(6,157)
Profit for the year				15,247

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results *(Continued)*

Year ended 31 March 2011

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000
Revenue				
External sales	183,845	25,557	—	209,402
Inter-segment sales	7,929	23	—	7,952
Segment revenue	191,774	25,580	—	217,354
Elimination				(7,952)
Group revenue				209,402
Segment profit	53,425	8,022	—	61,447
Unallocated administrative expense				(15,785)
Listing expenses				(2,691)
Other gains and losses				1,185
Interest income				282
Finance costs				(404)
Profit before tax				44,034
Income tax expense				(6,855)
Profit for the year				37,179

Inter-segment sales are made at cost plus a certain percentage profit mark-up.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. 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.

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Other information

Year ended 31 March 2012

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000
Depreciation and amortisation	**1,270**	**47**	**154**	**1,471**
Additions to property, plant and equipment	**1,248**	**—**	**1,372**	**2,620**
Gain on disposal of property, plant and equipment	**1,111**	**—**	**—**	**1,111**

Year ended 31 March 2011

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'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	2,091	2	—	2,093

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Product information

The Group 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 following is an analysis of the Group's revenue by each of the four categories:

	2012 **HK$'000**	2011 HK$'000
Relaxation products	**177,876**	162,962
Fitness products	**34,777**	37,821
Therapeutic products	**29,919**	5,993
Diagnostic products	**3,086**	2,626
	245,658	209,402

(d) 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.

	2012 **HK$'000**	2011 HK$'000
Hong Kong	**19,556**	18,456
Macau	**229**	276
PRC	**1,294**	—
Total assets	**21,079**	18,732

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

(e) 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.

9. OTHER INCOME

	2012 **HK$'000**	2011 HK$'000
Repair income	**1,337**	1,418
Delivery income	**2,614**	1,821
Bank interest income	**921**	282
Warranty income	**8**	7
Rental income	**156**	156
Other service income	**500**	180
Dividend income from investments in listed equity securities (note 21)	**22**	5
Compensation income	**18**	579
Sundry income	**858**	252
	6,434	4,700

10. OTHER GAINS AND LOSSES

	2012 **HK$'000**	2011 HK$'000
Gain on disposal of property, plant and equipment, including asset classified as held for sale	**1,111**	—
(Loss) gain from changes in fair value of investments at FVTPL	**(146)**	63
Gain from changes in fair value of investment properties	**650**	1,280
Loss on disposal of available-for-sale investments	**(191)**	—
Net exchange loss	**(70)**	(158)
	1,354	1,185

11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**325**	374
Finance leases	**8**	30
	333	404

12. PROFIT BEFORE TAX

	2012 HK$'000	2011 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditors' remuneration	**980**	200
Impairment loss recognised on trade receivables	**—**	14
Reversal of impairment loss on trade receivables	**—**	(800)
Cost of inventories recognised as an expense	**78,555**	58,199
Staff retirement benefit costs (excluding directors' retirement benefit scheme contribution)	**1,146**	1,050
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	**26,610**	24,153
– Contingent rent	**27,138**	22,826
Research and development expenditure	**634**	—
– Shared by related parties (note 36)	**(166)**	—
– Shared by the Group (in which HK$434,000 included in staff costs)	**468**	—

13. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax:		
Hong Kong Profits Tax	**4,324**	5,756
Macau Complimentary Income Tax	**699**	258
PRC Enterprise Income Tax	**787**	—
	5,810	6,014
Underprovision of taxation in prior year:		
Hong Kong Profits Tax	**36**	—
Macau Complimentary Income Tax	**—**	354
	36	354
Deferred tax (note 20)	**311**	487
	6,157	6,855

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

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

Under the Law of the PRC on Enterprise Income Tax, the tax rate of the PRC subsidiary is 25%.

13. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Profit before tax	**21,404**	44,034
Tax at Hong Kong Profits Tax rate of 16.5%	**3,532**	7,266
Tax effect of income not taxable for tax purposes	**(585)**	(344)
Tax effect of expenses not deductible for tax purposes	**3,522**	495
Tax effect on tax exemption	**(32)**	(33)
Tax effect on different tax rate of operations in other jurisdictions	**(4)**	(107)
Tax effect on income tax credit	**—**	(660)
Underprovision of taxation in prior year	**36**	354
Others	**(312)**	(116)
Income tax expense for the year	**6,157**	6,855

14. DIRECTORS' EMOLUMENTS

The amount of directors' emoluments paid and payable by the Group during the year is set out below:

	Year ended 31 March 2012				
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note 1)	Retirement benefits scheme contribution HK$'000	Total emoluments HK$'000
Mr. Yip Chee Seng	—	1,552	—	43	1,595
Mr. Yip Chee Lai, Charlie	—	1,134	2,187	12	3,333
Mr. Yip Chee Way, David	—	1,053	141	88	1,282
Mr. Yep Gee Kuarn	33	—	—	—	33
Mr. Chan Yip Keung	90	—	—	—	90
Mr. Chung Kin Fai	73	—	—	—	73
Ms. Lo Yee Hang	73	—	—	—	73
	269	3,739	2,328	143	6,479

14. DIRECTORS' EMOLUMENTS *(Continued)*

	Year ended 31 March 2011				
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contribution HK$'000	Total emoluments HK$'000
Mr. Yip Chee Seng	—	—	—	—	—
Mr. Yip Chee Lai, Charlie	—	486	2,878	12	3,376
Mr. Yip Chee Way, David	—	—	—	—	—
Mr. Yep Gee Kuarn	—	—	—	—	—
	—	486	2,878	12	3,376

Note: The performance related incentive payments are determined as a percentage of the Group's turnover during the year.

No directors' emoluments were paid or payable by the Group to Mr. Yip Chee Seng, Mr. Yip Gee Kuarn and Mr. Yip Chee Way, David during the year ended 31 March 2011 as they are also directors of some related parties of the Group and the remuneration of these directors was mainly borne by a related party, 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 year ended 31 March 2011 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.

15. INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: one) were the directors of the Group during the year, whose emoluments are included in note 14 above. The emoluments of remaining two (2011: four) individuals during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Salary and other benefits	**768**	256
Performance related bonus	**309**	1,323
Retirement benefits scheme contribution	**12**	46
Total emoluments	**1,089**	1,625

Their emoluments were within the following band:

	2012	2011
	HK$'000	HK$'000
Less than HK$1,000,000	**2**	4

During the year ended 31 March 2012 and 2011, 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 year ended 31 March 2012 and 2011.

16. DIVIDEND

The final dividend of US cents 0.122 (equivalent to HK cents 0.950) per share and a special dividend of US cents 0.183 (equivalent to HK cents 1.430) per share in respect of the year ended 31 March 2012 have been proposed by the directors and is subject to approval by the shareholders in general meeting.

Dividend of HK$4,000,000 was recognised as distribution to shareholders of OTO Macau for the year ended 31 March 2011.

17. EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**15,247**	37,179
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**262,883**	218,735

The calculation of the weighted average number of shares outstanding during the year ended 31 March 2012 and 2011 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 years ended 31 March 2012 and 31 March 2011, except for the effects 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, and the number of shares of the Company issued to Pre-IPO investors which is calculated from the date of issue on 26 April 2011.

No diluted earnings per share are presented as there were no potential dilutive shares outstanding during the year or as at the end of reporting period.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold land HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST						
At 1 April 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	—	—	512	373	1,735	2,620
Acquired on acquisition of a subsidiary	—	—	70	—	—	70
Disposals	—	—	(6)	(320)	(1,080)	(1,406)
Exchange adjustments	—	—	3	—	6	9
At 31 March 2012	1,091	4,250	8,864	1,270	12,392	27,867
DEPRECIATION AND AMORTISATION						
At 1 April 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 year	43	95	176	84	1,073	1,471
Eliminated on disposals	—	—	—	(320)	(780)	(1,100)
At 31 March 2012	742	1,605	8,183	938	9,937	21,405
CARRYING VALUES						
At 31 March 2012	349	2,645	681	332	2,455	6,462
At 31 March 2011	392	2,740	278	43	2,087	5,540

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated and amortised on a straight-line basis at the following rates per annum:

	Depreciation rate
Buildings	4%
Leasehold land	Over the shorter of the term of the lease or 50 years
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 medium-term lease.

The net book value of motor vehicles includes an amount of HK$332,000 (2011: nil) in respect of assets held under a finance lease.

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2010	4,770
Increase in fair value	1,280
At 31 March 2011	6,050
Increase in fair value	650
At 31 March 2012	6,700

The fair value of the Group's investment properties at 31 March 2012 and 2011 have been arrived at on the basis of a valuation carried out on respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation report on these properties was signed by directors of Jones Lang LaSalle Corporate Appraisal and Advisory Limited who are members of the Hong Kong Institute of Surveyors. The valuation of the properties as at 31 March 2012 and 2011 was arrived at using market transaction model by reference to market evidence of transaction prices for similar properties.

The investment properties shown above are situated on land in Hong Kong under long lease.

20. DEFERRED TAX ASSETS

The following are the deferred tax assets (liabilities) recognised by the Group and movements thereon during the year.

	Depreciation in excess of tax allowance on property, plant and equipment HK$'000	Allowance for doubtful debts HK$'000	Revaluation of investment properties HK$'000	Fair value adjustments on customer loyalty programmes HK$'000	Total HK$'000
As at 1 April 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 to profit or loss	(28)	—	(107)	(176)	(311)
As at 31 March 2012	1,003	—	(436)	11	578

At the end of the reporting period, the temporary difference associated with undistributed earnings of the PRC subsidiary for which deferred tax liability has not been recognised was HK$3,930,000 (2011: nil). No liability has been recognised in respect of this difference because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 **HK$'000**	2011 HK$'000
Equity securities listed in Hong Kong (note i)	**—**	800
Equity-linked notes (note ii)	**1,934**	3,901
	1,934	4,701
Analysed for the reporting purpose as:		
Current assets	**1,934**	2,779
Non-current assets	**—**	1,922
	1,934	4,701

Notes:

(i) The equity securities were held for trading purpose.

(ii) The balance as at 31 March 2012 mainly represents an unlisted equity-linked note of aggregate principal amount of HK$1,976,000 which matures on 4 September 2012. As at 31 March 2011, the amount included another unlisted equity-linked note of aggregate principal amount of HK$2,000,000 which matured on 31 May 2011.

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 HK$2,000,000 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 the 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.

22. INVENTORIES

All inventories represent finished goods held for resales.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$'000	HK$'000
Unlisted investment funds	**—**	378

At 31 March 2011, the investment funds were redeemable at the holder's discretion and their fair value were determined based on the fair value of the underlying net assets. The funds mainly invested in quoted shares of companies listed in Hong Kong. During the year ended 31 March 2012, all the funds were disposed of.

24. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Trade receivables	**26,996**	14,155
Prepayments	**3,801**	2,657
Temporary advances	**—**	28
Other receivables and deposits	**1,175**	227
	31,972	17,067

The management expects that other receivables would be realised within twelve months after the end of the reporting period.

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.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2012	2011
	HK$'000	HK$'000
0 - 30 days	**12,986**	6,425
31 - 60 days	**5,883**	2,868
61 - 90 days	**3,574**	1,462
Over 90 days	**4,553**	3,400
	26,996	14,155

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 2012, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$8,610,000 (2011: HK$6,357,000) which are past due as at the 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:

	2012	2011
	HK$'000	HK$'000
0 - 30 days	**76**	292
31 - 60 days	**3,288**	1,641
61 - 90 days	**1,016**	1,024
Over 90 days	**4,230**	3,400
	8,610	6,357

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	—	800
Impairment loss recognised on trade receivables	—	14
Amounts written off as uncollectible	—	(14)
Reversal of impairment loss on trade receivables	—	(800)
Balance at end of the year	—	—

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.

25. AMOUNTS DUE FROM/TO DIRECTORS/RELATED PARTIES/SHAREHOLDERS

Except for the amounts due from OTO Singapore and OTO Bodycare Sdn. Bhd. ("OTO Malaysia") of HK$166,000 (2011: due from OTO Shanghai of HK$312,000) which are 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	At 31 March 2012 HK$'000	2011 HK$'000	Maximum balances outstanding during the year HK$'000
Amount due from a director				
Mr. Yip Chee Lai, Charlie		—	995	1,124
Amounts due from related parties				
OTO Malaysia	(i)	—	804	804
OTO International (H.K.) Company Limited	(ii)	—	139	139
OTO Advertising Agency Co.	(iii)	—	9	9
OTO Shanghai	(iv)	—	176	176
		—	1,128	

25. AMOUNTS DUE FROM/TO DIRECTORS/RELATED PARTIES/SHAREHOLDERS *(Continued)*

	Note	**2012 HK$'000**	2011 HK$'000
Amount due to a related party			
OTO Singapore	(v)	—	2,490

Notes:

(i) 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.

(ii) The Controlling Shareholders and Mr. Yip Chee Seng, Mr. Yep Gee Kuarn and Mr. Yip Chee Lai, Charlie were 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 Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Lai, Charlie and Mr. Yip Chee Way, David were the then shareholders of OTO Shanghai of which each of them held a 25% interest.

(v) The Controlling Shareholders, except for Mr. Yip Chee Lai, Charlie, are 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 an 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 a 25.5% interest in OTO Singapore. Mr. Yip Chee Seng and his spouse together hold a 33.3% interest in OTO Singapore and Mr. Yep Gee Kuarn and his spouse together hold a 33.2% interest in OTO Singapore.

The balance as at 31 December 2011 was trade nature and repayable within 30 days.

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry variable interest rates ranging from 0.09% to 0.11% (2011: 0.02% to 0.7%) per annum.

Deposits amounting to HK$15,918,000 (2011: HK$6,406,000) 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 ranging from 0.10% to 0.37% (2011: from 0.10% to 0.42%) per annum.

27. 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 of 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 is recognised in other gains and losses for the year ended 31 March 2012.

28. TRADE AND OTHER PAYABLES

	2012 **HK$'000**	2011 HK$'000
Trade payables	**11,367**	3,483
Receipts in advance	**2,427**	2,716
Accruals	**5,353**	5,276
Others (Note)	**2,622**	3,314
	21,769	14,789

Note: Included HK$86,000 (2011: HK$1,169,000) deferred revenue in relation to customer loyalty programmes.

28. TRADE AND OTHER PAYABLES *(Continued)*

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

	2012 HK$'000	2011 HK$'000
0 - 30 days	**7,146**	3,214
31 - 60 days	**2,903**	269
61 - 90 days	**676**	—
Over 90 days	**642**	—
	11,367	3,483

The average credit period for trade purchases ranges from 0 to 60 days.

29. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Amounts payable under a finance lease:				
Within one year	**88**	—	**76**	—
In more than one year but not more than two years	**204**	—	**178**	—
	292	—	**254**	—
Less: Future finance charges	**(38)**	—	**N/A**	N/A
Present value of lease obligations	**254**	—	**254**	—
Less: Amount due within one year shown under current liabilities			**(76)**	—
			178	—

29. OBLIGATIONS UNDER A FINANCE LEASE *(Continued)*

The Group has leased a motor vehicle under finance lease. The lease term is four years. The average effective borrowing rates for the year ended 31 March 2012 was 3.75% per annum. Interest rate is fixed at the contract date. The lease is 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.

30. BANK BORROWINGS

	2012 **HK$'000**	2011 HK$'000
Bank loans	**1,044**	3,079
Import trade and trust receipt loans	**12,781**	10,039
	13,825	13,118
Secured	**12,781**	10,039
Unsecured	**1,044**	3,079
	13,825	13,118
Carrying amount repayable on demand or within one year	**12,781**	10,039
Carrying amount of bank borrowings that contain a repayment on demand clause		
– repayable within one year	**1,044**	2,031
– repayable after one year (shown under current liabilities)	**—**	1,048
	13,825	13,118
Less: Amounts due within one year shown under current liabilities	**(13,825)**	(13,118)
	—	—

30. BANK BORROWINGS *(Continued)*

The details of the Group's borrowings at the end of the reporting period are as follows:

	2012 **HK$'000**	2011 HK$'000
Variable rates:		
– Best lending rates plus margin	**12,056**	12,145
– Standard Bills Rates	**1,769**	973
	13,825	13,118

The range of effective interest rate per annum to the Group's variable rate borrowings are as follows:

	2012	2011
Variable rate borrowings	**1.7% - 6.3%**	2% - 5.8%

The Group's borrowings are denominated in Hong Kong dollars, United States dollars and Singapore dollars.

31. SHARE CAPITAL

	Number of shares	**Share capital** US$
Ordinary shares of US$0.01 each		
Authorised:		
At date of incorporation on 20 January 2011 and at 31 March 2011 (note i)	5,000,000	50,000
Increased on 20 April 2011 (note ii)	9,995,000,000	99,950,000
At 31 March 2012	10,000,000,000	100,000,000

31. SHARE CAPITAL *(Continued)*

	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 (note i)	1	—
Issued during the period (note i)	1	—
At 31 March 2011	2	—
Issued in consideration for the acquisition of the issued share capital of OTO BVI (note ii)	91,999,998	920,000
Issued and allotted to Pre-IPO investors (note iii)	8,000,000	80,000
Capitalisation issue (note iv)	140,000,000	1,400,000
Issue of shares pursuant to the global offering (note v)	80,000,000	800,000
At 31 March 2012	320,000,000	3,200,000

	HK$'000
Presented as	24,960

Notes:

(i) 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.

(ii) 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.

(iii) 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 SGD 1,388,000 (equivalent to approximately HK$8,328,000) to the parties under the ICH Pre-IPO Investment Agreement.

(iv) Pursuant to written resolutions of all the shareholders passed on 25 November 2011, the directors of the Company were authorised, and resolved to capitalise US$1,400,000 (approximately HK$10,920,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 140,000,000 shares conditional upon the completion of listing of the shares of the Company on the Stock Exchange.

31. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(v) On 12 December 2011, 80,000,000 shares of US$0.01 each of the Company, amounting to US$800,000 (approximately HK$6,240,000), were issued at HK$1.58 per share by way of public offering and the Company's shares have then listed on the Main Board of the Stock Exchange.

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).

32. ACQUISITION OF A SUBSIDIARY

On 22 March 2011, a share transfer agreement entered into among 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). 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.

32. ACQUISITION OF A SUBSIDIARY *(Continued)*

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 year ended 31 March 2012 is HK$2,551,000 generated by OTO Shanghai. Revenue for the year ended 31 March 2012 includes HK$20,026,000 generated by OTO Shanghai.

Had the acquisition been completed on 1 April 2011, total group revenue for the year ended 31 March 2012 would have been HK$250,660,000, and profit for the year ended 31 March 2012 would have been HK$15,761,000. 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. MAJOR NON-CASH TRANSACTIONS

During the year, the Group has the following major non-cash transactions:

(i) The Group entered into a finance lease arrangement in respect of a motor vehicle with a capital value at the inception of the lease of HK$373,000.

(ii) The consideration for the acquisition of a subsidiary that occurred during the year was funded by a loan advanced from BSEL through OTO BVI to OTO (HK) Investment which was subsequently capitalised by issue of new shares in OTO BVI to BSEL. Further details are set out in note (ii) to the consolidated statement of changes in equity.

34. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain the banking facilities at the end of the reporting period:

	2012 **HK$'000**	2011 HK$'000
Leasehold land and buildings		
– included in property, plant and equipment	**2,994**	3,132
– classified as held for sale	**—**	1,582
Investment properties	**6,700**	6,050
Bank deposits	**15,918**	6,406
Investments at FVTPL	**1,934**	3,901
	27,546	21,071

In addition, the Group's obligations under finance lease are secured by the lessor's charge over the leased assets with carrying values as disclosed in note 18.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, an investment property was let out under operating leases. Gross rental income earned during the year is HK$156,000 (2011: HK$156,000).

At the end of the reporting period, the Group had contracted with a tenant for the future minimum lease payments of HK$192,000 (2011: HK$13,000) under non-cancellable operating leases which fall due within one year.

Lease is negotiated and rental is fixed for terms of one year.

35. OPERATING LEASE ARRANGEMENTS *(Continued)*

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:

	2012 HK$'000	2011 HK$'000
Within one year	**24,089**	18,227
In the second to fifth years inclusive	**11,233**	7,784
	35,322	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.

36. RELATED PARTY DISCLOSURES

Other than those transactions disclosed in notes 25, 27 and 32, during the year the Group entered into following transactions with related parties:

(i)

Name of related parties	Nature of transaction	2012 HK$'000	2011 HK$'000
OTO Singapore	Trade sales	**118**	94
	Trade purchases	**44**	4,890
	Management fee	**—**	322
	Share of research and development expenses	**130**	—
OTO Malaysia	Trade sales	**5**	5
	Advertising fee income	**—**	90
	Share of research and development expenses	**36**	—
OTO Shanghai	Trade sales	**853**	822
	Trade purchases	**702**	512
Mr. Yip Chee Lai, Charlie	Rental expenses	**120**	—

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

36. RELATED PARTY DISCLOSURES *(Continued)*

(i) *(Continued)*

Pursuant to a tenancy agreement dated as of 1 September 2011 and entered into between the Group as tenant and Mr. Yip Chee Lai, Charlie on behalf of the landlords (being Mr. Yip Chee Lai, Charlie and his spouse), 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.

On 25 November 2011, the Group entered into an agreement for sharing of research and development expenses with OTO Singapore and OTO Malaysia, pursuant to which following the listing of the Company's shares on the Stock Exchange the parties have agreed to share the research and development expenses of new product development on the terms and conditions stated therein. OTO Singapore, OTO Malaysia and the Group will share the research and development expenses on an annual basis in proportion to the turnover of the said parties accrued during the same year.

The balances of amounts due from/to related parties, directors and shareholders are disclosed in the consolidated statement of financial position and in note 25.

(ii) Certain directors, also certain Controlling Shareholders, provided personal guarantees to banks for the outstanding bank borrowings of HK$13,118,000 at 31 March 2011, 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. Up to the issuance date of this financial statement, all these guarantees have been released.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 14.

37. 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 scheme.

As at 31 March 2012 and 2011, the Group had no significant obligation apart from the contribution as stated above.

38. SHARE OPTION SCHEME

Pursuant to resolutions in writing passed by all the shareholders of the Company on 25 November 2011, the Company approved and adopted a share option scheme (the "Scheme") which will remain in force for a period of 10 years from the date of its adoption. Details of the Scheme are set out in section titled 'Share Option Scheme' in the annual report.

During the year ended 31 March 2012, no share options were granted under the Scheme by the Company. In addition, as of 31 March 2012, no share options under the Scheme were outstanding.

39. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 **HK$'000**	2011 HK$'000
Investment in subsidiaries	**132,087**	—
Prepayments and other receivable	**994**	1,500
Amount due from a subsidiary	**39,500**	—
Bank balances and cash	**101,930**	—
Other payables and accrued expenses	**(781)**	(130)
Amounts due to subsidiaries	**(4,861)**	(4,092)
	268,869	(2,722)
Share capital	**24,960**	—
Share premium	**227,810**	—
Retained profit (accumulated loss)	**16,099**	(2,722)
	268,869	(2,722)

40. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries, all of which are wholly-owned by the Company, as at 31 March 2012 and 2011 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company 2012	2011	Principal activities
OTO BVI	BVI 7 January 2011	US$16,252	**100%**	100%	Investment holding
OTO (HK) Investment	Hong Kong 17 February 2011	HK$1	**100%**	100%	Investment holding
OTO HK	Hong Kong 14 November 1986	HK$1,000,000	**100%**	100%	Sales of health and wellness products in Hong Kong
OTO Macau	Macau 13 September 2005	MOP30,000	**100%**	100%	Sales of health and wellness products in Macau
OTO Shanghai#	PRC 25 March 2010	US$1,152,970	**100%**	N/A	Sales of health and wellness products in PRC

Note: The Company holds OTO BVI directly and all other subsidiaries indirectly.

The Group acquired OTO Shanghai on 29 June 2011, details of which are set out in note 32.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements and the Company's prospectus dated 1 December 2011, is set out below:

	Year ended 31 March			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**245,658**	209,402	289,283	144,229
Other income	**6,434**	4,700	3,102	2,064
Other gains and losses	**1,354**	1,185	1,783	(1,242)
Changes in inventories of finished goods	**(861)**	1,574	495	1,014
Finished goods purchased	**(77,694)**	(59,773)	(82,124)	(38,581)
Staff costs	**(36,728)**	(29,186)	(40,217)	(23,334)
Depreciation and amortisation expense	**(1,471)**	(1,465)	(1,491)	(2,977)
Finance costs	**(333)**	(404)	(600)	(568)
Listing expenses	**(19,266)**	(2,691)	—	—
Other expenses	**(95,689)**	(79,308)	(88,737)	(64,176)
Profit before tax	**21,404**	44,034	81,494	16,429
Income tax expense	**(6,157)**	(6,855)	(12,355)	(1,133)
Profit for the year	**15,247**	37,179	69,139	15,296

ASSETS, LIABILITIES AND EQUITY

	At 31 March			
	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**304,688**	172,063	160,961	72,013
TOTAL LIABILITIES	**37,751**	43,876	66,001	30,131
TOTAL EQUITY	**266,937**	128,187	94,960	41,882