豪特保健控股有限公司
OTO Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6880

INTERIM REPORT **2012/2013**

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

AUTHORISED REPRESENTATIVES

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Ms. Lim Yi Ping

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PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of OTO Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012 (the "Period"), together with the comparative figures for the corresponding period in 2011 and the relevant explanatory notes. The interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company. Unless the context otherwise requires, capitalised terms used in this interim report shall have the same meanings set out in the annual report of the Company for the year ended 31 March 2012, dated 15 June 2012.

For the six months ended 30 September	**2012**	2011	% Changes
Profitability data (HK$'000)			
Revenue	**124,284**	118,190	5.2
Gross profit	**80,681**	79,931	0.9
Profit before tax	**5,800**	16,807	(65.5)
Profit after tax for the period	**4,833**	12,640	(61.8)
Earnings per share – basic (HK$)	**0.02**	0.05	(60.0)
Gross profit margin	**64.9%**	67.6%	(2.7)
Profit before tax margin	**4.7%**	14.2%	(9.5)
Margin of profit attributable to equity shareholders	**3.9%**	10.7%	(6.8)
Effective tax rate	**16.7%**	24.8%	(8.1)

	30 September 2012	31 March 2012	Changes
Assets and liabilities data (HK$'000)			
Bank balances and cash	**212,020**	221,211	(4.2%)
Bank borrowings	**11,113**	13,825	(19.6%)
Total assets less current liabilities	**264,982**	267,551	(1.0%)
Assets and working capital ratios/data			
Current ratio (times)	**7.8**	7.5	0.3
Gearing ratio (%)	**3.7%**	4.5%	(0.8%)
Inventory turnover days	**35.9**	31.3	4.6
Trade receivables turnover days	**38.0**	30.6	7.4
Trade payables turnover days	**50.8**	32.9	17.9

Notes for key ratio:

Earnings per share	Profit attributable to shareholders / Weighted average number of ordinary shares
Current ratio	Current assets / Current liabilities
Gearing ratio	Total bank borrowings / Total assets x 100%
Inventory turnover days	Average of beginning and ending inventory balances / Cost of sales x 183 or 365 days
Trade receivables turnover days	Average of beginning and ending trade receivables balances / Revenue x 183 or 365 days
Trade payables turnover days	Average of beginning and ending trade payables balances / Cost of sales x 183 or 365 days

Dear Shareholders,

The year 2012 remained as a year full of market volatility. Amid an unstable economic environment, OTO has reacted and adopted a series of measures, whilst actively developing new sales channels to enhance the Group's profitability at the same time, with the aims to maintain a steady growth in the Hong Kong and Macau markets. Through our listing status on the Main Board of the Hong Kong Stock Exchange (HKEx), we have experienced healthy growth and rapid expansion of our operations in the PRC. As a benefit from the OTO's strong brand reputation in Hong Kong, we have successfully established ourselves in the PRC's health and wellness product market in just a year's time and continue to expand its market share.

The "OTO" brand has carved out its niche in the PRC's health and wellness product market through the united effort of our management and entire staff. Our sales network has expanded from 14 retail outlets at the time of our listing in 2011, to 55 as of today. Beijing, Shanghai, other cities in southern China, and Chengdu city (a key target market of OTO's future development) are now within our brand's market coverage.

Even though the United States (US) launched another round of economic stimulus in the third quarter and the Eurozone countries have made moderate progress in resolving the debt crisis, the economic growth in the US remains low and the European economy is still in a recession, coupled with the uncertainties in the state of the PRC's economic development, the growth direction of the global economic environment as a whole remains unstable. Hong Kong's economy experienced a significant slowdown as a result of these factors, with GDP growing a mere 0.9% for the first half this year, representing a year-on-year drop of 5.4 percentage points.

The volatile macro-economic environment has a considerable impact on overall consumer sentiment, and the Individual Visit Scheme's boost to Hong Kong's retail sector is waning, combined with the continuous surge in rent and ever-rising wages, the Group's operation was exposed to an even harsher and more volatile environment during the period under review.

To cope with such a challenging operating environment, the Group adopted a new sales strategy and developed new sales channels, along with a further boost from growth in international and corporate sales, the Group has achieved a steady increase in overall revenue. Meanwhile, as we are currently pushing our PRC expansion plan forward, we have increased our investment in the Mainland market; which has resulted the increase in our operating costs that affected the Group's net profit.

Aggressive Development of Sales Channels – Enhance Profitability

During the period under review, the Group was challenged by the continuous surge in rent of Hong Kong's retail stores. To cope with this challenge, we had and will continue to bolster the development of consignment counters and relocate our retail stores to sites with better development potential and cost efficiency, such as the new retail stores in Olympian City and East Point City, Tseung Kwan O. Meanwhile, retail stores in key shoppers and tourist districts, such as those in Times Square, Causeway Bay and Star House, Tsimshatsui, will be developed into flagship stores that showcase a full range of OTO products. It is our belief that this strategy will create more brand awareness and deliver "OTO" products to more high-end customers.

In the meantime, we also strived to develop new sales channels such as online retailing and sizeable chain stores. By developing exclusive products for sale through these channels, we alleviated the strain of rental hikes on our Group's operations, in addition to diversifying our customer pool.

In the future, we plan to capitalize on the size and potential of the PRC's online retail and corporate gift sales channel to further promote "OTO" products with the PRC's consumers on the Web as well as the gift giving culture.

Accelerate Development of the PRC Market – Raise the OTO Brand Profile

The "OTO" brand has attracted PRC consumers to the Group's products, with the quality and effectiveness of "OTO" products earning recognition from PRC consumers. It is our belief that OTO will become a key player in the PRC's health and wellness product market, especially given the increasing concern over health among PRC nationals.

Further developing the PRC market is the Group's key development plan for the future. We expect to further increase not less than 11 new retail outlets, with the short term target of achieving a total of 80 retail outlets in PRC retail network by 31 March 2013. Majority of our PRC retail outlets are located in Chengdu, Beijing and Shanghai. We are confident that the PRC operations will contribute substantial profit to the Group in the future.

Besides developing the PRC market, overseas expansion is another key development strategy of the Group. The considerable consumer potential in emerging markets has already caught our attention and we are actively examining the feasibility of expansion into these emerging markets. By expanding into such markets, the Group will further enhance its profitability.

Strengthen Product Design and Development Capacity – Enhance Product Attractiveness

Product design and development has always been the Group's emphasis as we believe that a steady, persistent flow of innovative products is the best way to retain and attract new customers. As such, we continue to devote resources to product design and development in order to launch more products of distinctive functions. In the meantime, to make our products more attractive we also strive for novelty in product design: for example, we have introduced younger colour tones and packaging for "OTO Power Flex" and "OTO e-Shape", which were launched in the first half this year, to cater for the demands of different consumer groups.

To further elevate the exterior and packaging design capacity for OTO products, we have engaged foreign designers to inject new design elements into our products. It is our belief that incorporating European flavor in the design process will improve the aesthetic charm of new OTO products by leaps and bounds.

Capitalise on Acquisition Opportunities – Maintain Sustainability

We continue to keep a close eye on acquisition opportunities in the market. Given the right opportunity, we will capitalise on our strong cash flow by further expanding the Group's business chain to other related health and wellness product segments to enhance our capacity of sustained development, as well as strengthen the Group's tenacity against operational risks.

We believe the next few years will be an important period of cultivation for OTO, especially regarding the development of the PRC market. This period will prepare us for reaching the goal of becoming a market leader in the PRC's health and wellness product segment. OTO will continue with investing in the PRC market in the future, and at this crucial stage, the trust and support of shareholders and investors are of utmost importance for us.

OTO will press ahead as we have in the past, to deliver solid performance with our Hong Kong and Macau operations and strengthen our development in other emerging markets as we work on the PRC market. We will make every effort to ensure OTO's sustained development in the future, and to thank and reward our shareholders' and investors' for their support.

YIP Chee Seng
Chairman and Executive Director

Hong Kong
28 November 2012

BUSINESS REVIEW

During the Period, the Group had experienced a very challenging business and operating environment as a result of the prolonged uncertainties in the global economy conditions that had impacted the regions of the Group's operations. While the worries on the debt crisis in the European countries continued to influence the global stock and financial markets, the mixed picture of the economic recovery in the US as well as the slowing-down trend in the PRC economy growth had weakened the overall consumers buying sentiment particularly in Hong Kong and the PRC retail markets in which the Group's main operations are based. Consequently, although the Group's health and wellness products are comparatively less correlative as those of luxury consumers' goods to the general economic conditions, the Group's overall revenue growth for the Period had slowed down to 5.2% as compared to 18.1% for the previous corresponding period.

Products

As one of the market leaders in the health and wellness products, the Group's core competitive strength is its capability in product design and development. Well developed health and wellness products are being launched to the retail markets with a series of planned advertising and promotional activities, which are particularly tailored to the prevailing market trends and consumers' consumption mood.

During the Period, the Group has developed a total of 16 new products, of which 5 new relaxation products and 1 new fitness product had been launched in the market. The new products launched in the market, which in total contributed approximately HK$20.2 million or 16.3% of the Group's total revenue for the Period, were strategically selected and priced at a readily affordable level to maintain the Group's competitive advantage in the market with its desired gross profit margins. The Group had carefully planned for the launching of new products as well as the advertising and promotion activities and related expenses considering the generally weak consumer buying sentiment, to ensure profitability of the Group. The Group will continue to launch more new products to the market and adopt more flexible and active marketing activities for the remaining of the year.

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 PRC. These sales channels include (i) traditional sales channels such as retail stores and consignment counters; and (ii) proactive sales channels such as corporate sales, international sales and roadshow counters.

(i) Traditional sales channels – retail stores and consignment counters

During the six months ended 30 September 2012, the Group's traditional sales channel generated approximately 75.0% of the Group's overall revenue (six months ended 30 September 2011 : 76.1%). As at 30 September 2012, the Group operated the following retail stores and consignment counters:

	No. of outlets as at		
	30 September 2012	31 March 2012	30 September 2011
Hong Kong			
– Retail stores	13	13	14
– Consignment counters	17	17	16
Macau			
– Retail stores	1	1	1
– Consignment counters	2	2	2
PRC			
– Retail stores	2	1	—
– Consignment counters	45	33	11
Total	80	67	44

Hong Kong retail stores and consignment counters

The Group maintained a total of 30 retail outlets (inclusive of retail stores and consignment counters) in Hong Kong during the period under review. The Group had adjusted its retail outlets portfolio, whereby certain retail stores were closed in the end of the year 2011 and beginning of the year 2012 (including retail stores at Harbour City, Tsimshatsui, Kowloon and Grand Century Place, Mongkok, Kowloon) which were replaced with more strategic new retail stores that offer acceptable store rental and potential store revenue growth located at Olympian City and East Point City, Tseung Kwan O, Kowloon. As the new retail stores are still in the stage of maturity, coupled with the loss of revenue resulted from the closure of certain retail stores, the Group's retail revenue in Hong Kong had decreased by approximately HK$12.5 million, representing approximately 10.1% of the Group's overall revenue during the Period. The Group will monitor and review its retail outlet portfolio in Hong Kong from time to time so as to optimise its retail network. As at the date of this interim report, the Group had concluded a tenancy agreement to open a new retail store at Star House, Tsimshatsui, Kowloon in early 2013 and will upgrade its retail store at Time Square, Causeway Bay, Hong Kong. Both retail stores at Star House and Time Square will be operated as the Group's flagship stores.

Macau retail stores and consignment counters

During the Period, the Group operated a total of 3 retail outlets in Macau. The revenue from the retail outlets in Macau had increased by approximately HK$2.4 million, representing approximately 1.9% of the Group's overall revenue during the Period as a result of more satisfactory store sales performance.

PRC retail stores and consignment counters

As part of the expansion plan in the PRC, the Group opened additional 13 retail outlets during the Period, with a total 47 retail outlets as at 30 September 2012. The Group started to develop progressively the retail network in the PRC in 2011 and since then, as benefited with its established "OTO" brand in Hong Kong and Macau, the Group's health and wellness products have gained gradually the attention and acceptance of the PRC consumer market. The Group retail revenue in the PRC has grown approximately HK$11.8 million, representing approximately 9.5% of the Group's overall revenue during the Period mainly arising from the opening of new retail outlets.

The PRC consumer market remained the main focus of the Group's growth strategy in its retail network. Whilst it will continue to grow its retail revenue at the existing retail outlets with appropriate strategies, the plan to further expand its retail network in the PRC remained unchanged. As of the date of this interim report, it has increased its total retail outlets in the PRC to 55 retail outlets, which included retail outlets at Shanghai Westgate Mall (上海梅龍鎮廣場), Chengdu Wangfujing Department Store (成都王府井百貨有限公司) and Yokado's Department Store (成都伊藤洋華堂有限公司), and has concluded certain tenancy and consignment agreements for an additional of 11 new retail outlets in the PRC, which include Chengdu Yanlord Landmark (成都仁恒置地廣場) and Beijing China World Mall (北京國貿商城) scheduled to be opened from the date of this interim report to 31 March 2013.

(ii) Proactive sales channels – corporate sales, international sales and roadshow counters

During the six months ended 30 September 2012, the Group's proactive sales channels generated approximately 25.0% of the Group's overall revenue (six months ended 30 September 2011: 23.9%). The Group's corporate sales represent the sales of selected health and wellness products to corporate companies, financial institutions including banks and credit card companies, retail chain stores and professional bodies. During the Period, in additional to its then existing established corporate customer base in Hong Kong and Macau, the Group had successfully started to sell its selected health and wellness products through internet to the local consumers.

International sales represent exports of the Group's health and wellness 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. During the Period, the Group has managed to grow its sales to certain international customers and as at 30 September 2012, the Group is in the active negotiations with certain new international customers with the aims to penetrate into new market for its products. Roadshow counters are those of promotional and non permanent counters of which the Group operated in different department stores and shopping malls in Hong Kong, Macau and the PRC from time to time for marketing purposes as well as revenue generation.

The Group believes that the proactive sales channels are important marketing and revenue generating channels for the Group which allow it to penetrate into new marketing segments with minimum fixed operating expenses, in order to cushion the impact of the escalading operating costs like retail stores rental, staff cost and advertising expenses.

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

RESULTS OF OPERATION

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$6.1 million or approximately 5.2% to approximately HK$124.3 million for six months ended 30 September 2012 from approximately HK$118.2 million for the corresponding period in 2011, primarily as a result of the following:

(i) *Sales of the health and wellness products*

	For the six months ended 30 September					
	2012		2011		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Relaxation products	**95,690**	**77.0**	77,546	65.6	18,144	23.4
Fitness products	**21,447**	**17.3**	18,166	15.4	3,281	18.1
Therapeutic products	**5,124**	**4.1**	20,800	17.6	(15,676)	(75.4)
Diagnostic products	**2,023**	**1.6**	1,678	1.4	345	20.6
Total	**124,284**	**100.0**	118,190	100.0	6,094	5.2

The revenue from the sales of the Group's relaxation products increased by approximately HK$18.1 million or approximately 23.4% for the six months ended 30 September 2012, as compared with the corresponding period in 2011. The increase in revenue from the sales of relaxation products was primarily due to the launch of a massage chair OTO CYBER-Indulge Upgrade and a foot massager OTO Power Flex in April 2012. The revenue from sales of fitness products also increased by approximately HK$3.3 million or approximately 18.1% which was primarily due to launch of a fitness product OTO e-Shape in May 2012. These increases in revenue were partially offset by the decrease in revenue from the sales of therapeutic products by approximately HK$15.7 million or approximately 75.4% which was primarily due to absence of new therapeutic products launched during the Period. The revenue from sales of diagnostic products was HK$2.0 million for the six months ended 30 September 2012, representing a slight increase of approximately HK$0.3 million or 20.6%, which was mainly due to more sales of diagnostic products.

(ii) *Sales performance of the sales channels*

	For the six months ended 30 September					
	2012		2011		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Retail stores	**38,386**	**30.9**	48,629	41.1	(10,243)	(21.1)
Consignment counters	**54,800**	**44.1**	41,362	35.0	13,438	32.5
Roadshow counters	**2,644**	**2.1**	3,506	3.0	(862)	(24.6)
Corporate sales	**14,334**	**11.5**	12,117	10.3	2,217	18.3
International sales	**14,120**	**11.4**	12,576	10.6	1,544	12.3
Total	**124,284**	**100.0**	118,190	100.0	6,094	5.2

During the six months ended 30 September 2012, the revenue from the Group's consignment counters increased by approximately HK$13.4 million or approximately 32.5% mainly due to the revenue generated from the new consignment counters opened in the PRC. The revenue from the Group's retail stores decreased by approximately HK$10.2 million or 21.1% during the six months ended 30 September 2012 mainly due to changes in retail stores portfolio in Hong Kong whilst the new retail stores are still in the maturing stage. The Group's corporate sales and international sales increased by approximately HK$2.2 million or approximately 18.3% and approximately HK$1.5 million or approximately 12.3%, respectively, during the Period. The increase in the corporate sales was primarily due to sales to an internet group-buying company, while the increase in revenue from international sales was mainly contributed from increase in sales to existing international customers.

Other income

Other income for the six months ended 30 September 2012 was approximately HK$3.2 million, representing an increase of approximately HK$0.4 million or approximately 14.3%, from approximately HK$2.8 million for the corresponding period in 2011. The increase was primarily due to increase in bank interest income.

Other gains and losses

Other gains and losses for the six months ended 30 September 2012 was approximately HK$1.2 million, which mainly comprised of gain from changes in fair value of investment property amounted to approximately HK$1.0 million. The other gains and losses for the corresponding period in 2011 mainly comprised of gain from disposal of a property amounted to HK$1.2 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the six months ended 30 September 2012 were approximately HK$2.6 million as compared with approximately HK$1.2 million for the corresponding period in 2011.

Finished goods purchased

Finished goods purchased for the six months ended 30 September 2012 was approximately HK$44.0 million, representing an increase of approximately HK$6.1 million, or approximately 16.1% from approximately HK$37.9 million for the corresponding period in 2011. The increase was mainly due to the expansion of retail network in PRC.

Gross profit

The gross profit increased by approximately HK$0.8 million or approximately 0.9% to approximately HK$80.7 million for six months ended 30 September 2012 from approximately HK$79.9 million for the corresponding period in 2011. The gross profit margin decreased from approximately 67.6% for the six months ended 30 September 2011 to approximately 64.9% for the six months ended 30 September 2012, primarily due to changes in sales channel mix during the Period, whereby the Group's corporate sales and international sales, which generated comparatively lower gross profit margins, contributed higher proportion of revenue as a whole to the overall revenue of the Group, as well as the sales of certain older model products of the Group at promotional prices during the Period.

Staff costs

Staff costs for the six months ended 30 September 2012 were approximately HK$24.0 million, representing an increase of approximately HK$8.2 million, or approximately 51.9%, from HK$15.8 million for the corresponding period in 2011. The increase in staff costs was mainly due to the increase in the overall staff strength from 153 employees as at 30 September 2011 to 250 employees as at 30 September 2012 as a result of the expansion of the Group's retail network in the PRC, as well as the enlarged management team of Group for future growth.

Depreciation and amortisation expense

Depreciation and amortisation expense for the six months ended 30 September 2012 was approximately HK$1.4 million, representing an increase of approximately HK$0.7 million or 100.0% as compared with HK$0.7 million for the corresponding period in 2011. The increase was mainly due to additions of property, plant and equipment for the expansion of the Group's retail network in the PRC.

Finance costs

Finance costs for six months ended 30 September 2012 was approximately HK$0.2 million, which remained relatively stable as compared with that of the corresponding period in 2011.

Other expenses

Other expenses for the six months ended 30 September 2012 was approximately HK$55.8 million, representing an increase of approximately HK$12.8 million or approximately 29.8%, from approximately HK$43.0 million for the corresponding period in 2011. The increase is primarily attributable to various items, including an increase of approximately HK$1.3 million in advertising and promotion expenses; an increase of approximately HK$5.1 million in commissions paid to consignment counters at department stores due to increased revenue generated from consignment counters; an increase of approximately HK$0.7 million in rent, rates and building management fee for office, warehouse and staff quarters, an increase of approximately HK$0.7 million in freight and transportation expenses and an increase of approximately HK$1.8 million in legal and professional fee during the Period.

Profit before tax

Profit before tax for the six months ended 30 September 2012 was approximately HK$5.8 million, representing a decrease of approximately HK$11.0 million or approximately 65.5%, from HK$16.8 million for the corresponding period in 2011 as a result of the factors described above.

Income tax expense

Income tax expense for the six months ended 30 September 2012 and 2011 were approximately HK$1.0 million and HK$4.2 million, respectively, representing an effective tax rate of approximately 16.7% and 24.8%, respectively. The higher effective tax rate for the six months end 30 September 2011 was primarily due to the IPO expenses in that period which were not tax deductible.

Profit for the period

As a result of the factors described above, the Group's profit for the six months ended 30 September 2012 was approximately HK$4.8 million, representing a decrease of approximately HK$7.8 million or approximately 61.8% from approximately HK$12.6 million for the corresponding period in 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had approximately HK$212.0 million (as at 31 March 2012 : HK$221.2 million) 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$2.0 million for the six months ended 30 September 2012, primarily reflecting the operating cash flows before movements in working capital of approximately HK$5.3 million, as adjusted by decrease of approximately HK$0.8 million in trade and other receivables, increase of approximately HK$0.9 million in trade and other payable, increase of approximately HK$2.6 million in inventories and tax payment of approximately HK$2.0 million during the Period.

Investing activities

Net cash used in investing activities was approximately HK$0.6 million for the six months ended 30 September 2012, as compared with approximately HK$6.7 million from investing activities for the corresponding period in 2011. The cash used in investing activities mainly comprised of additions of property, plant and equipment of approximately HK$3.7 million, which was partly offset by proceeds from redemption of investments at fair value through profit or loss amounted approximately HK$2.0 million.

Financing activities

Net cash used in financing activities was approximately HK$10.6 million for the six months ended 30 September 2012, as compared with approximately HK$1.5 million from financing activities for the corresponding period in 2011. The cash from financing activities mainly comprised of dividend payment of approximately HK$7.6 million, repayment of bank loans of approximately HK$1.0 million and decrease of trust receipt loan of approximately HK$1.7 million during the Period.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 September 2012 was approximately HK$11.1 million as compared with approximately HK$13.8 million as at 31 March 2012. The Group's gearing ratio decreased from approximately 4.5% as at 31 March 2012 to approximately 3.7% as at 30 September 2012, which was primarily due to the decrease of total borrowings.

WORKING CAPITAL

As at 30 September 2012, the net working capital of the Group was approximately HK$235.8 million, representing a decrease of approximately HK$6.6 million or 2.7% as compared with HK$242.4 million as at 31 March 2012.

As at 30 September 2012, the Group's inventories increased by HK$2.6 million to approximately HK$9.9 million from approximately HK$7.3 million as at 31 March 2012. The increase was primarily due to the Group's expansion of retail network in the PRC which requires certain level of inventories for the opening of new retail outlets. The inventories turnover period was 35.9 days as at 30 September 2012 as compared with 31.3 days as at 31 March 2012 which increase is in line with the increase in inventories.

As at 30 September 2012, the Group's trade receivables decreased by HK$2.3 million to approximately HK$24.7 million from approximately HK$27.0 million as at 31 March 2012. The average trade receivables turnover day was 38.0 days, representing an increase of approximately 7.4 days from 30.6 days as at 31 March 2012 attributable to increase in revenue from consignment counters and corporate sales where certain credit terms were granted to these customers.

As at 30 September 2012, the Group's trade payables increased by HK$1.4 million to approximately HK$12.8 million from approximately HK$11.4 million as at 31 March 2012 which was attributable to the increase in credit period for purchases from certain suppliers. Accordingly, the trade payables turnover days increased from 32.9 days as at 31 March 2012 to 50.8 days as at 30 September 2012.

CAPITAL EXPENDITURE

During the six months ended 30 September 2012, the Group's total capital expenditure amounted to approximately HK$4.2 million, which was used mainly in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 30 September 2012, the Group had pledged certain assets, including leasehold land and buildings, investment property and bank deposits which in aggregate amounted to approximately HK$26.5 million for the purpose of securing certain banking and other facilities.

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

During the six months ended 30 September 2012, there were no significant investment, material acquisition and disposals of subsidiaries by the Company. 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 of the Company dated 1 December 2011 (the "Prospectus").

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2012.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign currency risk by closely monitoring the movement of the foreign currency rate.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2012, the Group had a total number of 250 (as at 31 March 2012: 176) 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 of the Company 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 MOP 30 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 in the PRC is to make the required contributions under the state-managed benefit scheme.

During the six months ended 30 September 2012, no share option was granted to employees.

STRATEGIES AND PROSPECTS

In the opinion of the Directors, the economic and business environment for the year 2012/2013 will remain to be challenging, particularly the raising rental of the retail stores in Hong Kong and the weakening consumers' buying sentiments. The Group will continue to focus on the followings: (i) the launching of new health and wellness products with new features, design and functions; (ii) adjusting its retail outlets portfolio in the Hong Kong retail market when necessary; (iii) its planned retail network expansion in the PRC; (iv) further development of new retail and marketing channels for more growth in the corporate sales and international sales; (v) to improve the operational efficiency of its product value chain and supply chain to reduce operation cost; and (vi) to look out for opportunities to enter into new potential retail markets other than the regions in which the Group has existing operation.

Save for matters disclosed above, the information in relation to matters set out in paragraph 32 under Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") has not changed materially from the information disclosed in the annual report of the Company dated 15 June 2012.

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 30 September 2012, there is no change on the proposed use of net proceeds from the Global Offering. As at 30 September 2012, the unused proceeds were deposited in licensed bank in Hong Kong.

	Net proceeds HK$ mil	Utilised up to 30 September 2012 HK$ mil	Unutilised as of 30 September 2012 HK$ mil
Use of proceeds:			
Expansion of the Group's PRC operations	**45.9**	**6.5**	**39.4**
Advertising and promotional activities in the PRC	**20.0**	**0.6**	**19.4**
Renovate and redecorate the existing retail outlets in Hong Kong and Macau	**10.7**	**2.1**	**8.6**
Enhancement of the research and development capability	**8.0**	**1.8**	**6.2**
Upgrade of the Group's information systems	**8.0**	**0.3**	**7.7**
	92.6	**11.3**	**81.3**

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

As at 30 September 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 for Securities Transactions by Directors of Listed Issuers (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%

Save as disclosed above, as at 30 September 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.

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

As at 30 September 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 30 September 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") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the Prospectus), being 32,000,000 Shares, excluding any options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Details of the Share Option Scheme are set forth in the Prospectus.

No share options were granted under the Share Option Scheme for the interim period ended 30 September 2012 and up to the date of this interim report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2012, the Company had complied with all applicable provisions under the Corporate Governance Code (the "Code") and Corporate Governance Report effective on 1 April 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board will review the current practices at least annually and make appropriate changes if considered necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to 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. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the Model Code throughout the six months ended 30 September 2012.

AUDIT COMMITTEE

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

The Group's interim results for the six months ended 30 September 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee recommended the Board to adopt the same.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Deloitte.
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TO THE BOARD OF DIRECTORS OF OTO HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of OTO Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 48, which comprise the condensed consolidated statement of financial position as of 30 September 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 November 2012

	Notes	Six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited and restated)
Revenue	3	**124,284**	118,190
Other income		**3,156**	2,745
Other gains and losses	4	**1,150**	1,089
Changes in inventories of finished goods		**2,621**	1,223
Finished goods purchased		**(43,985)**	(37,895)
Staff costs		**(23,998)**	(15,848)
Depreciation and amortisation expense		**(1,434)**	(672)
Finance costs	5	**(184)**	(171)
Listing expenses		**—**	(8,877)
Other expenses		**(55,810)**	(42,977)
Profit before tax	6	**5,800**	16,807
Income tax expense	7	**(967)**	(4,167)
Profit for the period		**4,833**	12,640
Other comprehensive expense:			
Fair value loss on available-for-sale investments		**—**	(102)
Exchange difference arising on translation		**(47)**	40
		(47)	(62)
Total comprehensive income for the period		**4,786**	12,578
Earnings per share – Basic (HK$)	9	**0.02**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	**30 September 2012 HK$'000 (Unaudited)**	31 March 2012 HK$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	10	**9,038**	6,462
Investment property	11	**7,650**	6,700
Deferred tax assets		**989**	1,014
Deposit placed at an insurance company		**3,061**	3,016
Utility and other deposits paid		**8,410**	7,917
		29,148	25,109
Current assets			
Inventories		**9,863**	7,242
Investments at fair value through profit or loss		**—**	1,934
Trade and other receivables	12	**31,173**	31,972
Amounts due from related parties		**48**	166
Tax recoverable		**1,639**	1,572
Pledged bank deposits		**15,929**	15,918
Bank balances and cash		**212,020**	221,211
		270,672	280,015
Current liabilities			
Trade and other payables	13	**22,679**	21,769
Obligations under finance leases		**175**	76
Tax payable		**871**	1,903
Bank borrowings	14	**11,113**	13,825
		34,838	37,573
Net current assets		**235,834**	242,442
Total assets less current liabilities		**264,982**	267,551

	Notes	**30 September 2012 HK$'000 (Unaudited)**	31 March 2012 HK$'000 (Audited and restated)
Capital and reserves			
Share capital	15	**24,960**	24,960
Reserves		**239,583**	242,413
		264,543	267,373
Non-current liabilities			
Obligations under finance leases		**439**	178
		264,982	267,551

	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	Retained profits HK$'000	Total HK$'000
At 1 April 2011 (audited)	1,029	—	(102)	—	—	—	127,260	128,187
Adjustments (note 2)	—	—	—	—	—	—	329	329
At 1 April 2011 (restated)	1,029	—	(102)	—	—	—	127,589	128,516
Profit for the period (restated)	—	—	—	—	—	—	12,640	12,640
Other comprehensive (expense) income for the period								
– fair value loss on available-for-sale investments	—	—	(102)	—	—	—	—	(102)
– exchange difference arising on translation	—	—	—	40	—	—	—	40
Total comprehensive income for the period	—	—	(102)	40	—	—	12,640	12,578
Group reorganisation (note i)	6,147	124,911	—	—	(131,058)	—	—	—
Issue of shares to Pre-IPO investors (note 15)	624	7,704	—	—	—	—	—	8,328
Contribution from shareholders								
– deemed contribution (note 16)	—	—	—	—	1,441	—	—	1,441
– capitalisation of loan from a shareholder (note ii)	—	—	—	—	1,170	—	—	1,170
At 30 September 2011 (unaudited)	7,800	132,615	(204)	40	(128,447)	—	140,229	152,033

	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	Retained profits HK$'000	Total HK$'000
At 1 April 2012 (audited)	24,960	227,810	—	107	(128,447)	393	142,114	266,937
Adjustments (note 2)	—	—	—	—	—	—	436	436
At 1 April 2012 (restated)	24,960	227,810	—	107	(128,447)	393	142,550	267,373
Profit for the period	—	—	—	—	—	—	4,833	4,833
Other comprehensive expense for the period – exchange difference arising on translation	—	—	—	(47)	—	—	—	(47)
Total comprehensive income for the period	—	—	—	(47)	—	—	4,833	4,786
Dividend paid (note 8)	—	—	—	—	—	—	(7,616)	(7,616)
At 30 September 2012 (unaudited)	24,960	227,810	—	60	(128,447)	393	139,767	264,543

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 issued share capital 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 if the group structure had been in existence throughout the periods, or since their respective dates of incorporation where this is a shorter period.

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 totaling 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, to the Company, 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 mentioned in note 16, 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 principles of the People's Republic of China (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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	Note	Six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Net cash from operating activities		**2,016**	7,129
Investing activities			
Additions of property, plant and equipment		**(3,722)**	(348)
Proceeds from disposals of property, plant and equipment		**229**	2,921
Proceeds from redemption of investments at fair value through profit or loss		**1,979**	2,000
Repayment from a director		**—**	986
Repayment from related parties		**—**	984
Acquisition of a subsidiary	16	**—**	344
Other investing cash flows		**936**	(198)
Net cash (used in) from investing activities		**(578)**	6,689
Financing activities			
Loan from ultimate holding company		**—**	1,170
Repayment to directors		**—**	(308)
Repayment to related parties		**—**	(281)
Dividend paid		**(7,616)**	(738)
Repayment of bank loans		**(1,045)**	(1,009)
Decrease in trust receipt loans		**(1,667)**	(5,476)
Cash receipt from issuance of new shares		**—**	8,328
Other financing cash flows		**(254)**	(186)
Net cash (used in) from financing activities		**(10,582)**	1,500
Net (decrease) increase in cash and cash equivalents		**(9,144)**	15,318
Cash and cash equivalents at the beginning of the period		**221,211**	108,233
Effect of foreign exchange rate changes		**(47)**	40
Cash and cash equivalents at the end of the period		**212,020**	123,591

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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, for the six months ended 30 September 2011, 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 HKICPA.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The application of the amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment property that is 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 Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on disposal of its investment property. Previously, the Group recognised deferred taxes on changes in fair value of investment property on the basis that the carrying amount of the property was recovered through use which is the manner in which the Group expects to recover the carrying amount of the investment property.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax assets being increased by HK$436,000 as at 31 March 2012, with the corresponding adjustment being recognised in retained profits. In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 September 2012 and 30 September 2011 being reduced by HK$157,000 and HK$41,000 respectively and hence resulted in the profit for the six months ended 30 September 2012 and 30 September 2011 being increased by HK$157,000 and HK$41,000 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, 31 March 2012, is as follows:

	As at 31 March 2012 (originally stated) HK$'000	Adjustments HK$'000	As at 31 March 2012 (restated) HK$'000
Deferred tax assets, total effects on net assets	**578**	**436**	**1,014**
Retained profits, total effects on equity	**142,114**	**436**	**142,550**

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, 1 April 2011, is as follows:

	As at 1 April 2011 (originally stated) HK$'000	Adjustments HK$'000	As at 1 April 2011 (restated) HK$'000
Deferred tax assets, total effects on net assets	889	329	1,218
Retained profits, total effects on equity	127,260	329	127,589

The application of amendments to HKAS 12 has had no material effect on the earnings per share for both six months ended 30 September 2012 and 30 September 2011.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments, i.e. the three geographical locations, Hong Kong, Macau and the PRC for the period under review.

Six months ended 30 September 2012

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000 (unaudited)
Revenue				
External sales	87,838	15,276	21,170	124,284
Inter-segment sales	5,673	—	530	6,203
Segment revenue	93,511	15,276	21,700	130,487
Elimination				(6,203)
Group revenue				124,284
Segment profit	17,133	4,810	2,224	24,167
Unallocated administrative expenses				(20,325)
Other gains and losses				1,150
Interest income				992
Finance costs				(184)
Profit before tax				5,800
Income tax expense				(967)
Profit for the period				4,833

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 September 2011

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000 (unaudited and restated)
Revenue				
External sales	101,928	11,690	4,572	118,190
Inter-segment sales	4,491	—	467	4,958
Segment revenue	106,419	11,690	5,039	123,148
Elimination				(4,958)
Group revenue				118,190
Segment profit	30,491	2,608	1,845	34,944
Unallocated administrative expenses				(10,330)
Listing expenses				(8,877)
Other gains and losses				1,089
Interest income				152
Finance costs				(171)
Profit before tax				16,807
Income tax expense				(4,167)
Profit for the period				12,640

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain on disposals of property, plant and equipment	**87**	1,190
Gain (loss) from changes in fair value of investments at fair value through profit or loss ("FVTPL")	**45**	(160)
Gain from changes in fair value of investment property	**950**	250
Net exchange gain (loss)	**68**	(191)
	1,150	1,089

5. FINANCE COSTS

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**169**	171
Finance leases	**15**	—
	184	171

6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**41,364**	36,672
Operating lease payments in respect of rented premises (included in other expenses)		
– minimum lease payments	**14,700**	13,519
– contingent rent	**16,627**	11,549
Interest income	**(992)**	(152)
Dividend income from investments in listed equity securities	**—**	(20)

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Current tax :		
Hong Kong Profits Tax	**502**	3,559
Macau Complimentary Income Tax	**440**	246
PRC Enterprise Income Tax	**—**	272
	942	4,077
Deferred tax	**25**	90
	967	4,167

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

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

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

8. DIVIDENDS

No dividends were declared or proposed for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil). The directors do not recommend the payment of an interim dividend.

A final dividend of US cents 0.122 (equivalent to HK cents 0.95) per share and a special dividend of US cents 0.183 (equivalent to HK cents 1.43) per share in respect of the year ended 31 March 2012 was declared and paid to the owners of the Company. The aggregate amount of the final dividend and special dividend declared and paid in the interim period amounted to HK$7,616,000.

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**4,833**	12,640
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**320,000**	237,425

The calculation of the weighted average number of shares outstanding during the six months ended 30 September 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 six months ended 30 September 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 for both periods as there were no potential dilutive shares outstanding during both periods or as at the end of the reporting periods.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of HK$4,152,000 (six months ended 30 September 2011: HK$348,000), including a motor vehicle at a cost of HK$430,000 which is acquired under finance lease.

11. MOVEMENT IN INVESTMENT PROPERTY

The Group's investment property was fair valued by an external valuer at 30 September 2012 and 31 March 2012 using market transaction model by reference to market evidence of transaction prices for similar properties.

During the period, a gain from changes in fair value of HK$950,000 (six months ended 30 September 2011: HK$250,000) was credited to profit or loss.

12. TRADE AND OTHER RECEIVABLES

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Trade receivables	**24,650**	26,996
Other receivables, prepayments and deposits	**6,523**	4,976
Total trade and other receivables	**31,173**	31,972

Retail sales are normally settled in cash or by credit card with the settlement from the corresponding financial institutions within 14 days. Receivables from retail sales in department stores are collected within three months. The Group granted an average credit period from 30 days to 90 days to the corporate customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
0 – 30 days	**18,475**	12,986
31 – 60 days	**3,815**	5,883
61 – 90 days	**1,295**	3,574
Over 90 days	**1,065**	4,553
	24,650	26,996

13. TRADE AND OTHER PAYABLES

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Trade payables	**12,823**	11,367
Receipts in advance	**1,955**	2,427
Accruals	**4,293**	5,353
Others (note)	**3,608**	2,622
	22,679	21,769

Note: Included HK$235,000 (31 March 2012: HK$86,000) deferred revenue in relation to customer loyalty programmes.

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

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
0 – 30 days	**10,263**	7,146
31 – 60 days	**2,034**	2,903
61 – 90 days	**526**	676
Over 90 days	**—**	642
	12,823	11,367

14. BANK BORROWINGS

During the period, the Group repaid bank loans and net balance of trust receipt loans totaling HK$1,045,000 and HK$1,667,000 (six months ended 30 September 2011: HK$1,009,000 and HK$5,476,000) respectively.

15. 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 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 and 30 September 2012	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid:		
Issued at the date of incorporation on 20 January 2011 (note i)	1	—
Issued on 11 February 2011 (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 and 30 September 2012	320,000,000	3,200,000

	HK$'000
Presented as	24,960

15. SHARE CAPITAL *(Continued)*

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 SGD1,388,000 (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.

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.

16. 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 payables	(557)
	2,611

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

In the opinion of the directors of the Company, an amount of approximately HK$1,441,000, being the excess of the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed over the sum of the consideration transferred, is considered as contribution from the shareholders and credited to capital reserve upon completion of acquisition.

Net cash inflow on acquisition of OTO Shanghai:

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

16. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

Had the acquisition been completed on 1 April 2011, total group revenue for the six months ended 30 September 2011 would have been HK$123,192,000, and profit for the six months ended 30 September 2011 would have been HK$13,216,000. 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.

17. PLEDGE OF ASSETS

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

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Leasehold land and buildings	**2,926**	2,994
Investment property	**7,650**	6,700
Bank deposits	**15,929**	15,918
Investments at FVTPL	**—**	1,934
	26,505	27,546

In addition, the Group's obligations under finance leases are secured by the lessors' charge over the leased assets with carrying values of HK$668,000 as at 30 September 2012 (at 31 March 2012: HK$332,000).

18. OPERATING LEASES

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments for premises under non-cancellable operating leases which fall due:

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Within one year	**17,881**	24,089
In the second to fifth year inclusive	**5,550**	11,233
	23,431	35,322

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.

19. RELATED PARTY TRANSACTIONS

(a) During the period, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transaction	Six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
OTO Bodycare Pte. Ltd. ("OTO Singapore") (note i, v)	Trade sales	—	118
	Trade purchases	—	44
	Share of research and development expenses	**124**	—
OTO Bodycare Sdn. Bhd. ("OTO Malaysia") (note ii, v)	Trade sales	—	5
	Share of research and development expenses	**40**	—
OTO Shanghai (note iii)	Trade sales	—	853
	Trade purchases	—	702
Mr. Yip Chee Lai, Charlie (note iv)	Rental expenses	**72**	—

19. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) The Controlling Shareholders, except for Mr. Yip Chee Lai, Charlie, are the shareholders of OTO Singapore. Mr. Yip Chee Seng was a director of OTO Singapore up to 22 November 2011. Mr. Yep Gee Kuarn is a director of OTO Singapore. Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun have 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% in OTO Singapore and Mr. Yep Gee Kuarn and his spouse together hold a 33.2% in OTO Singapore.

(ii) Mr. Yep Gee Kuarn and Mr. Yip Chee Seng are the shareholders of OTO Malaysia of which each of them holds 45.8% interest. Mr. Yip Chee Seng was a director of OTO Malaysia up to 24 November 2011. Mr. Yep Gee Kuarn is a director of OTO Malaysia.

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

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

(iv) 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.

(v) 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 their respective turnovers during the same year.

The balance of amounts due from related parties are disclosed in the condensed consolidated statement of financial position.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

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

	Six month ended 30 September	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**3,802**	1,100
Retirement benefits scheme contributions	**6**	37
Performance related incentive payments	**560**	1,423
	4,368	2,560

20. EVENTS AFTER THE REPORTING PERIOD

On 4 October 2012, the Group entered into the Warrant Placing Agreement with a placing agent in connection with the warrant placing, pursuant to which the placing agent agreed to place 20,000,000 warrants conferring rights to subscribe for 20,000,000 warrant shares of the Company at the exercise price of HK$0.655 per warrant share (subject to anti-dilutive adjustments). Details of the warrant placing are set out in the announcements of the Company dated 4 October 2012 and 10 October 2012.

The warrant placing was completed on 19 October 2012. The warrants are classified as equity instrument of the Company and have no material effect on profit or loss of the Group.