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 **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

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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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

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COMPLIANCE ADVISER

Guotai Junan Capital Limited
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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	2013	2012 (restated)	% Changes
Profitability data (HK$'000)			
Revenue	**259,201**	245,658	5.5
Gross profit	**168,106**	163,389	2.9
Profit before tax	**3,716**	21,404	(82.6)
Profit for the year	**2,046**	15,354	(86.7)
Earnings per share – basic and diluted (HK$)	**0.01**	0.06	(83.3)
Gross profit margin	**64.9%**	66.5%	(1.6)
Profit before tax margin	**1.4%**	8.7%	(7.3)
Dividend per share			
– Final Dividend (HK cents)	**—**	0.950	(100.0)
– Special Dividend (HK cents)	**—**	1.430	(100.0)
Effective tax rate	**44.9%**	28.3%	16.6

As at 31 March	2013	2012 (restated)
Assets and liabilities data (HK$'000)		
Bank balances and cash	**200,013**	221,211
Bank borrowings	**11,990**	13,825
Total assets less current liabilities	**261,977**	267,551
Assets and working capital ratios/data		
Current ratio (times)	**6.6**	7.5
Gearing ratio (%)	**4.1%**	4.6%
Inventory turnover days	**37.0**	31.3
Trade receivables turnover days	**41.9**	30.6
Trade payables turnover days	**48.1**	32.9

Notes for key ratio and profitability data:

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 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
Gross profit	Revenue – (Finished goods purchased – Changes in inventories of finished goods + direct expenses attributable to purchase)
Gross profit margin	Gross profit / Revenue x 100%

A YEAR OF DEVELOPMENT AND INNOVATION

In 2012, OTO had been developing extensively with the PRC market as our key market. The volatile and competitive market environment required a diversified sales strategy. Not only did we continue to expand our sales channels network, but we also improved our product lines by creating innovative products, upgrading existing product features, and enhancing product design and packaging in order to succeed in the market competition. As the "OTO" brand evolved to the next level, we decided to inject modern elements into the brand to revitalise it. The new "Balance Life" brand concept manifests itself in our brand identity and refurbished outlets.

The Eurozone debt crisis caused instability in the global economy during the financial year. Besides, 2012 was an election year for many countries. In addition, the US economy remained fragile. All elements mentioned above led to further uncertainty. The fluctuating economic environment and the slowing down of China's economic growth brought immense challenges to the retail and consumer markets both in Hong Kong and Mainland China.

We believed the Group could only meet such challenges by opening up new sources of revenue and reforming our operation structure. To sustain OTO's position as a leading health and wellness product company, and to continue generating value for our investors and shareholders, it is imperative that we ensure stable growth in our current Hong Kong and Macau markets.

STRONG DEVELOPMENT IN THE PRC MARKET PROVIDES LEVERAGE FOR FUTURE GROWTH

It has been OTO's key objective to develop the China market since 2012. Our retail network in China has grown from 14 retail outlets when we went public in 2011, to the 65 retail outlets as at the date of this statement, which included 3 retail stores and 62 consignment counters. The retail network is primarily located in first-tier cities in China including Beijing, Shanghai, Chengdu and the South China region.

We believe in establishing quality retail outlets with promising development potential and profitability, instead of pursuing massive expansion of the retail network. We carefully assess and evaluate each target location for our new retail outlets in China prior to the opening of these retail outlets. Our strategy is to avoid opening new retail outlets in markets where consumers are not concentrated and the locations are difficult for operation and management, so that we could be more focus to optimize our quality retail network.

As we stated in our interim report for the six months ended 30 September 2012, OTO is currently in the crucial period of "cultivation" as we need to invest more resources into the PRC market. This will increase the operating costs of the Group and affect our short term profit performance. Nevertheless, we are confident that OTO's growth in the PRC will be gradually matured and contribute significantly to the Group's operation.

During the year under review, approximately half of our retail outlets in China became more mature and have started to generate expected revenue for the Group. Sales revenue in China increased by approximately 185% y-o-y and had contributed approximately 22.0% to the Group's total revenue for the year under review as compared to 8.2% for the preceding year. We believe sales in the PRC market will be a major source of sales revenue for the Group in future.

ESTABLISHED BUSINESS CHANNELS TO ATTRACT NEW CUSTOMER GROUPS

In addition to the China market, our key focus in the year under review was to develop new sales channels such as online sales and penetration into the big retail chain stores. With the growing popularity of group-buying, OTO is convinced that the younger generation's market has great potential. We believe online sales platform was the key in reaching this group of target customers. OTO joined forces with some group-buying websites during the year under review to sell different types of small-sized products and since then we have sold more than 7,000 items through the online platforms.

The Group has also made use of online channels to cross-promote our corporate sales business. We cooperated with large department stores in China to market our products on their websites so as to encourage group-buying and corporate sales. This enables us to exploit their massive customer base to promote the OTO brand to their corporate customers.

REVITALIZED BRAND IMAGE TO PAVE THE WAY FOR NEW DEVELOPMENT

In the Hong Kong and Macau markets, the Group will continue to implement its business strategy of ensuring steady growth. As at the date of this statement, OTO have 31 retail outlets in our Hong Kong and Macau network. During the year under review, we concentrated on developing our consignment counters. We also relocated some retail outlets to locations with higher market potential and cost-effectiveness as a result of marked increase in shop rental. In addition, we established flagship stores in major premium commercial areas displaying our full range of products. Our latest flagship store at the Star Annex, Tsim Sha Tsui, opened for business on 11 May 2013.

The Group introduced a series of initiatives to launch the "Balance Life" brand concept. These efforts included refurbishment of our retail outlets, redesigning of our product packaging and our brand logo, all of which were aligned to the new brand concept. During the year under review, the shops in Times Square, Causeway Bay and Tuen Mun were refurbished with refreshing earth-tone colors and a spacious environment to provide customers with an invigorating and comfortable shopping experience. We will continue to revamp the rest of the retail outlets in our existing retail network in order to deliver the new OTO image to customers and to further strengthen our brand presence.

We have been invested and will continue to invest in product development and design with the aim of launching more new products with unique features. While not compromising on the functionality of the products, we have further enhanced OTO products' appearance and packaging to create products that are both aesthetic and functional. The OTO Power Flex, OTO e-Shape launched in 2012, the OTO Adelle One Massage Chair and OTO MBraze launched in first half of 2013 are all aesthetic and functional products. Market perception has been very positive and customers appreciated our initiative to improve the aesthetic features of our products.

THREE DECADES OF REMARKABLE ACHIEVEMENT PREPARED US FOR NEW OPPORTUNITIES

2013 marked OTO's 30th anniversary. We have learned and grown from three decades of accomplishments and lessons which have built a solid foundation for the Group's future expansion opportunities. The Group is poised to elevate itself to a higher level.

As our market position the China market gradually matures, we are confident on OTO's future development. Despite the challenges posed by the unstable economy, and volatile retail and consumer markets, the Group will continue to strengthen our Hong Kong and Macau operation, expand the retail network in China market and reinforce our effort in exploring other emerging markets, as well as to raise our product development capabilities.

I would like to take this opportunity to express our heartfelt gratitude to OTO's shareholders, investors, customers and staff for their staunch support. We are committed to continue our efforts in sustainable development of OTO to deliver returns to all our stakeholders.

Yip Chee Seng
Chairman and Executive Director

Hong Kong, 14 June 2013

BUSINESS REVIEW

The year ended 31 March 2013 was a particularly challenging year for the Group. The prolonged uncertainties in the global economy conditions and development, with various financial measures applied by European countries to ease the impact of their debt crisis, the fiscal cliff that endangering the economy of the United States of America and the anticipated slowing-down trend in the PRC economic growth, had all weakened the overall consumers buying sentiment particularly in Hong Kong and the PRC where the Group's main operations are based. While the Group's sales performances were affected by the generally unfavourable economic condition, the Group has remained cautious in its operating and expansion strategies, whereby more flexible approaches were adopted in its advertising and promotion activities. At the same time, more thorough review and assessment were made for decision on renewal of expiring tenancy agreement of retail stores and on the opening of new retail outlets in our main target market – the PRC. During the year ended 31 March 2013, the Group's overall revenue growth had slowed down to approximately 5.5% as compared to approximately 17.3% for the previous corresponding year.

Products

The Group strove to focus on its core competitive strength in the design and development of new products, so as to remain as one of the leading brands in the health and wellness products market. Well developed health and wellness products are usually 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.

It is the Group's strategy to design and develop about 10 to 15 new products each year. During the year under review, the Group has launched a total of 14 new products which comprises of 13 new relaxation products and 1 new fitness product. The new products launched in the market had contributed approximately HK$55.0 million or 21.2% of the Group's total revenue for the year under review. These new products were strategically selected and priced at a readily affordable level to maintain the Group's competitive advantage in the market with its appropriate gross profit margins. The launching of new products was carefully and strategically planned to target at the desired market segment via appropriate sales channels, and in particular the launching of the Group's new key product is usually accompanied by massive advertising and promotion activities and related expenses after due consideration of the overall consumer buying sentiment, to maintain profitabilities of the Group.

Sales Channels

The Group is committed to further develop its diversified sales channels and will continue to enlarge it's current geographical market coverage so as to integrate a full range of "OTO" products for offering to the consumers of different regions, cultures and lifestyle, and to strengthen its supply chain as a whole, in order to benefit from the operating scale. The diversified sales channels of the Group 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 (together as "retail outlets")

During the year ended 31 March 2013, the Group's traditional sales channel generated approximately 70.9% of the Group's overall revenue (2012: 74.0%). As at 31 March 2013, the Group operated the following retail stores and consignment counters:

	No. of outlets as at		
	31 March 2013	31 March 2012	31 March 2011
Hong Kong			
– Retail stores	**11**	13	15
– Consignment counters	**17**	17	16
Macau			
– Retail stores	**1**	1	1
– Consignment counters	**2**	2	2
PRC			
– Retail stores	**3**	1	—
– Consignment counters	**61**	33	—
Total	**95**	67	34

Hong Kong retail outlets

The Group started to adjust its retail outlets in Hong Kong in the end of year 2011 and beginning of year 2012 in response to the significant rental hike of certain retail stores, whereby the tenancy of certain retail stores were not renewed upon its expiry. The Group's strategy is to replace these retail stores with other strategic locations that offer acceptable rental and potential store revenue growth.

During the year under review, the Group reduced its retail outlets in Hong Kong from a total of 30 retail outlets as at 31 March 2012 to a total of 28 retail outlets as at 31 March 2013, whereby tenancy agreements of two retail stores at Telford Plaza, Kowloon Bay, Kowloon and New Town Plaza, Shatin, New Territories, were not renewed upon the expiry of their respective terms during the year under review. As a result of the closure of these retail stores, coupled with the relocation of one of the Group's key retail store at Times Square, Causeway Bay, Hong Kong, that caused the loss of retail revenue during the relocation period, the Group's retail revenue in Hong Kong had decreased by approximately HK$27.2 million, representing approximately 10.5% of the total revenue of the Group during the year under review. The Group will continue to monitor and review its retail outlet portfolio in Hong Kong from time to time so as to maintain its retail network. As at the date of this annual report, the Group had opened a new retail store at Star House, Tsimshatsui, Kowloon which is one of the Group's flagship stores.

Macau retail stores and consignment counters

During the year under review, the Group operated a total of 3 retail outlets in Macau. The revenue generated from the retail outlets in Macau had increased by approximately HK$2.0 million, representing approximately 0.8% of the total revenue of the Group during the year under review, when compared with the corresponding year in 2012 as a result of more satisfactory store sales performance.

PRC retail stores and consignment counters

As at 31 March 2013, the Group had extended its retail network in the PRC according to its expansion plan by increasing the retail outlets to 64 retail outlets, which comprises of 3 retail stores and 61 consignment counters. The Group's retail revenue in the PRC has grown by approximately HK$27.2 million, representing approximately 10.5% of the Group's total revenue during the year under review. The increase was mainly resulting from the opening of new retail outlets and the gradual increase of retail revenue from the existing retail outlets. As such, the Group believes that its health and wellness products have gradually gained the attention and acceptance of the PRC consumers' market and therefore will continue to implement its expansion plan in the PRC and open more strategic retail outlets.

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

During the year ended 31 March 2013, the Group's proactive sales channels generated approximately 29.1% of the Group's total revenue (2012: 26.0%). 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 year under review, in addition to its 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 in Hong Kong. The Group's corporate sales have grown by approximately HK$11.4 million, representing approximately 4.4% of the Group's total revenue, to approximately HK$34.2 million, during the year under review.

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 year under review, the Group has managed to increase its sales to certain international customers and therefore, the Group's international sales has grown by approximately HK$2.3 million, representing approximately 0.9% of the Group's total revenue, to approximately HK$32.0 million, during the year under review. Roadshow counters are the 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 for marketing and revenue generating channels for the Group which allows it to penetrate into new marketing segments with minimal fixed operating expenses, in order to cushion the impact of the escalading operating costs like retail stores rental, staff costs 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 annual 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$13.5 million or approximately 5.5% to approximately HK$259.2 million for the year ended 31 March 2013 from approximately HK$245.7 million for the corresponding year ended 31 March 2012, primarily as a result of the following:

Sales of the health and wellness products of the Group

	For the year ended 31 March					
	2013		2012		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Relaxation products	**202,752**	**78.2**	177,876	72.4	24,876	14.0
Fitness products	**44,116**	**17.0**	34,777	14.2	9,339	26.9
Therapeutic products	**8,970**	**3.5**	29,919	12.2	(20,949)	(70.0)
Diagnostic products	**3,363**	**1.3**	3,086	1.2	277	9.0
Total	**259,201**	**100.0**	245,658	100.0	13,543	5.5

The revenue from the sales of the Group's relaxation products increased by approximately HK$24.9 million or approximately 14.0% for the year ended 31 March 2013, as compared with the corresponding year in 2012. 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$9.3 million or approximately 26.9% 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$20.9 million or approximately 70.0% which was primarily due to absence of new therapeutic products launched during the year under review. The revenue from sales of diagnostic products was HK$3.4 million for the year ended 31 March 2013, representing a slight increase of approximately HK$0.3 million or 9.0%, which was mainly due to increased sales of diagnostic products.

Sales performance of the sales channels of the Group

	For the year ended 31 March					
	2013		2012		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Retail stores	**66,837**	**25.8**	90,398	36.8	(23,561)	(26.1)
Consignment counters	**116,905**	**45.1**	91,327	37.2	25,578	28.0
Roadshow counters	**9,229**	**3.6**	11,391	4.6	(2,162)	(19.0)
Corporate sales	**34,207**	**13.2**	22,806	9.3	11,401	50.0
International sales	**32,023**	**12.3**	29,736	12.1	2,287	7.7
Total	**259,201**	**100.0**	245,658	100.0	13,543	5.5

During the year ended 31 March 2013, the revenue from the Group's consignment counters increased by approximately HK$25.6 million or approximately 28.0% 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$23.6 million or 26.1% during the year ended 31 March 2013 mainly due to adjustment of retail stores portfolio in Hong Kong. The Group's corporate sales and international sales increased by approximately HK$11.4 million or approximately 50.0% and approximately HK$2.3 million or approximately 7.7%, respectively, during the year ended 31 March 2013. 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 an increase in sales to existing international customers.

Other income

Other income for the year ended 31 March 2013 was approximately HK$6.5 million, representing a slight increase of approximately HK$0.1 million or approximately 1.6%, from approximately HK$6.4 million for the year ended 31 March 2012. The increase was primarily due to the increase in bank interest income and repair income which were partially offset by decrease in delivery income and sundry income for the year ended 31 March 2013.

Other gains and losses

Other gains and losses for the year ended 31 March 2013 was approximately loss of HK$1.8 million, which comprised mainly loss on written off of property, plant and equipment of approximately HK$3.4 million, partially offset by gain from changes in fair value of investment property amounted to approximately HK$1.0 million and net exchange gain of approximately HK$0.4 million. The other gains and losses for the corresponding year ended 31 March 2012 comprised mainly gain on disposal of property, plant and equipment, including asset classified as held for sale, amounted to approximately HK$1.1 million and gain from changes in fair value of investment property amounted to approximately HK$0.7 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the year ended 31 March 2013 were increase of approximately HK$4.0 million as compared with decrease of approximately HK$0.9 million for the corresponding year ended 31 March 2012 which is in line with the increase in inventories.

Finished goods purchased

Finished goods purchased for the year ended 31 March 2013 was approximately HK$91.2 million, representing an increase of approximately HK$13.5 million, or approximately 17.4% from approximately HK$77.7 million for the corresponding year ended 31 March 2012. The increase was in line with the increase in the Group's total revenue.

Gross profit

The gross profit increased by approximately HK$4.7 million or approximately 2.9% to approximately HK$168.1 million for the year ended 31 March 2013 from approximately HK$163.4 million for the corresponding year ended 31 March 2012. The gross profit margin decreased from approximately 66.5% for the year ended 31 March 2012 to approximately 64.9% for the year ended 31 March 2013, primarily due to changes in sales channel mix during the year, whereby the Group's corporate sales and international sales, which generated comparatively lower gross profit margin, contributed higher proportion of revenue as a whole to the total revenue of the Group, as well as the retail sales of certain older model products of the Group at promotional prices during the year under review.

Staff costs

Staff costs for the year ended 31 March 2013 were approximately HK$52.0 million, representing an increase of approximately HK$15.3 million, or approximately 41.7%, from HK$36.7 million for the corresponding year. The increase in staff costs was mainly due to the increase in the overall staff to 302 employees as at 31 March 2013 compared with 176 employees as at 31 March 2012 in view of the expansion of operation of the Group in the PRC.

Depreciation expense

Depreciation expense for the year ended 31 March 2013 was approximately HK$3.6 million, representing an increase of approximately HK$2.1 million or 140.0% as compared with HK$1.5 million for the corresponding year ended 31 March 2012. The increase was mainly due to addition of property, plant and equipment for the expansion of the Group's retail network in the PRC.

Finance costs

Finance costs for the year ended 31 March 2013 was approximately HK$0.4 million, which remains relatively stable as compared with that of the corresponding year ended 31 March 2012.

Listing expenses

Listing expenses were fully recognised in the year ended 31 March 2012.

Other expenses

Other expenses for the year ended 31 March 2013 was approximately HK$117.1 million, representing an increase of approximately HK$21.4 million or approximately 22.4%, from approximately HK$95.7 million for the corresponding year ended 31 March 2012. The increase was primarily attributable to various items, including an increase of approximately HK$10.3 million, or 37.9% in commission paid to consignment counters at department stores due to increase in revenue generated from consignment counters; an increase of approximately HK$17.0 million, or 95.7% in other operating expenses mainly as a result of expansion of retail network in the PRC, which were partially offset by the decrease of approximately HK$2.9 million, or 18.7% in advertising and promotion expenses; a decrease of approximately HK$1.4 million, or 5.3% in rent, rates and building management fee for retail stores at shopping malls mainly as a result of reduction in number of retail outlets in Hong Kong.

Profit before tax

As a result of the factors described above, particularly the increase in staff costs, depreciation charges and expenses for the expansion of the Group's PRC operation, the Group's profit before tax for the year ended 31 March 2013 was approximately HK$3.7 million, representing a decrease of approximately HK$17.7 million or approximately 82.7% from approximately HK$21.4 million for the corresponding year ended 31 March 2012.

Income tax expenses

Income tax expenses for each of the year ended 31 March 2013 and 2012 were approximately HK$1.7 million and HK$6.1 million, respectively, representing an effective tax rate of approximately 44.9% and 28.3%, respectively. The increase in effective tax rate for the year ended 31 March 2013 was primarily due to certain expenses relating to the expansion in the PRC and other operating expenses which are not tax deductible in arriving at taxable profit of the Group, as well as high rate of enterprise income tax for the China subsidiary of the Company as compared with the tax rates applicable to subsidiaries in Hong Kong and Macau.

Profit for the year

As a result of the factors described above, particularly the increase in staff costs, depreciation charges and expenses for the expansion of the Group's PRC operation, the Group's profit for the year ended 31 March 2013 was approximately HK$2.0 million, representing a decrease of approximately HK$13.4 million or approximately 87.0% from approximately HK$15.4 million for the corresponding year ended 31 March 2012.

FINANCIAL POSITION

As at 31 March 2013, total equity of the Group amounted to approximately HK$261.6 million (as at 31 March 2012: HK$267.4 million). The decrease was mainly due to payment of a final and a special dividend in respect of the year ended 31 March 2012 during the period under review.

The Group's net current assets as at 31 March 2013 amounted to approximately HK$230.9 million (as at 31 March 2012: HK$242.4 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 March 2013 was 6.6 (as at 31 March 2012: 7.5). The decrease in both the Group's net current assets and current ratio were mainly due to the Group's acquisition of property, plant and equipment, which were mainly financed by the Group's own liquid funds.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had approximately HK$200.0 million (as compared with approximately HK$221.2 million as at 31 March 2012) 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 manage 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.

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).

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. During the year ended 31 March 2013, no warrant is exercised. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 20,000,000 additional shares of US$0.01 each.

The net proceeds from the placing after taking into account the expenses in relation to the placing and issue of unlisted warrant amounted to approximately HK$180,000. Such proceeds are proposed for funding the general working capital of the Group.

Operating activities

Net cash used in operating activities was approximately HK$2.7 million for the year ended 31 March 2013 (year ended 31 March 2012: HK$8.5 million from operating activities), primarily reflecting the operating cash flows before movements in working capital of approximately HK$7.9 million, as adjusted by an increase of approximately HK$7.9 million in trade and other receivables, an increase of approximately HK$6.7 million in trade and other payables and tax payment amounted to approximately HK$3.9 million during the year.

Investing activities

Net cash used in investing activities was approximately HK$8.5 million for the year ended 31 March 2013 (year ended 31 March 2012: HK$3.9 million), which was primarily due to acquisition of property, plant and equipment of approximately HK$10.4 million and increase in pledged bank deposits of approximately HK$2.1 million and partially offset by approximately HK$1.9 million interest received and approximately HK$2.0 million proceeds from redemption of equity-linked note.

Financing activities

Net cash used in financing activities was approximately HK$10.0 million for the year ended 31 March 2013, as compared with approximately HK$108.2 million from financing activities for the year ended 31 March 2012, which was primarily due to dividend paid of approximately HK$7.6 million and repayment of bank loans of approximately HK$1.0 million.

BORROWINGS AND GEARING RATIO

Total bank borrowings of the Group as at 31 March 2013 was approximately HK$12.0 million with effective interest rate ranging from 1.85% to 5.44% per annum. Majority of the Group's bank borrowings are import trade and trust receipt loans repayable on demand or within one year and denominated in Hong Kong dollars, Japanese Yen, United States dollars and Singapore dollars. The Group's gearing ratio decreased from approximately 4.6% as at 31 March 2012 to approximately 4.1% as at 31 March 2013, which was primarily due to a decrease in bank borrowings by approximately HK$1.8 million as at 31 March 2013.

WORKING CAPITAL

As at 31 March 2013, the net working capital of the Group was approximately HK$230.9 million, representing a decrease of approximately HK$11.5 million or 4.7% as compared with 31 March 2012.

As at 31 March 2013, the Group's inventories increased by HK$4.0 million to HK$11.2 million from approximately HK$7.2 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 days was 37.0 days as at 31 March 2013 as compared with 31.3 days as at 31 March 2012 which is in line with the increase in inventoies.

As at 31 March 2013, the Group's trade receivables increased by approximately HK$5.5 million, to approximately HK$32.5 million from approximately HK$27.0 million as at 31 March 2012. The average trade receivables turnover days was 41.9 days, representing an increase of approximately 11.3 days from 30.6 days as at 31 March 2012. The increase was mainly attributable to the increase in revenue from consignment counters and corporate sales where longer credit terms were granted to these customers.

As at 31 March 2013, the Group's account payables increased by approximately HK$1.2 million to approximately HK$12.6 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 48.1 days as at 31 March 2013.

CAPITAL EXPENDITURE

During the year ended 31 March 2013, the Group's total capital expenditure amounted to approximately HK$10.8 million, which was used in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 31 March 2013, the Group had pledged certain assets, including leasehold land and buildings, investment property and bank deposits which in aggregate amounted to approximately HK$28.5 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 year ended 31 March 2013, 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 "Use of Net Proceeds from the Global Offering" below.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2013 and 31 March 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 31 March 2013, the Group had a total number of 302 (31 March 2012: 176) full-time employees. Total staff costs for the year ended 31 March 2013 amounted to approximately HK$52.0 million (year ended 31 March 2012: 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 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. Contributions are made by both the employer and the employees at 5% each of the employees' relevant monthly income which is capped at $25,000. 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 only obligation of the Group for each employee to the defined contribution retirement benefit plan is to make the required contributions under the schemes.

The employees of the subsidiary of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the subsidiary is required to contribute to the schemes at rates ranging from 14% to 37% of the social insurance base.

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 set out in the Directors' Report on page 27 of this report). During the year ended 31 March 2013, no share option was granted to employees.

The Group does not have any further material obligations for payments of other retirement benefit beyond the above annual contribution.

STRATEGIES AND PROSPECTS

In the opinion of the Directors, the economic and business environment for the year ending 31 March 2014 will remain to be challenging as the outlook of the global economic development is still uncertain, while we are facing the rising operating costs and the weakening consumers' buying sentiments. The following will remain as the focus of the Group's strategies: (i) the design and development of new health and wellness products with new features, design and functions; (ii) strategically expanding retail network in the PRC; (iii) development of new marketing channels for more growth in the corporate sales and international sales; (iv) to improve the operational efficiency of its product value chain and supply chain to reduce operation cost; (v) continue its group re-branding exercise so as to enlarge consumers base; and (vi) to look out for opportunities to enter into new potential retail markets other than the existing regions in which the Group has operation.

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 proceeds from the global offering of the Company (the "Global Offering"), after deduction of related issuance expenses, amounted to approximately HK$92.6 million. As at 31 March 2013, there is no change on the proposed use of net proceeds from the Global Offering. As at 31 March 2013, the unused proceeds were deposited in a licensed bank in Hong Kong.

	Net proceeds HK$ mil	Utilised up to 31 March 2013 HK$ mil	Unutilised as of 31 March 2013 HK$ mil
Use of proceeds:			
Expansion of the Group's PRC operations	**45.9**	**10.7**	**35.2**
Advertising and promotional activities in the PRC	**20.0**	**1.5**	**18.5**
Renovate and redecorate the existing retail outlets in Hong Kong and Macau	**10.7**	**4.0**	**6.7**
Enhancement of the research and development capability	**8.0**	**5.8**	**2.2**
Upgrade of the Group's information systems	**8.0**	**0.4**	**7.6**
	92.6	**22.4**	**70.2**

The board (the "Board") of directors (the "Directors") of the Company is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company, The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS & DIVIDENDS

Results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 52. Other movements in reserves are set out in the consolidated statement of changes in equity on pages 55 to 57.

The Board does not recommend the payment of final dividend for the year ended 31 March 2013 (2012: a final dividend of HK cents 0.950 per share and a special dividend of HK cents 1.430 per share).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year ended 31 March 2013 are set out in note 29 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity. As at 31 March 2013, the Company's aggregate amounts of reserves available for distribution were approximately HK$ 233,182,000.

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, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 18 to the consolidation financial statements.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 28 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 2013, the Group's sales to its five largest customers accounted for approximately 14.3% of the Group's total sales and the Group's sales to its largest customer for the year accounted for approximately 4.7% of the Group's total sales. The Group's five largest suppliers accounted for approximately 74.4% of the Group's total purchases, while the largest supplier for the year accounted for approximately 39.7% 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 2013.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$64,000 (2012: HK$1,000,000).

DIRECTORS

The Directors during the year ended 31 March 2013 and up to the date of this report were:

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

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. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang will retire by rotation 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 44 to 49 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 annual general meeting (the "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 2013 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 2013, 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 of Hong Kong Limited (the "Stock Exchange") of 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	65.1%
Mr. Yip Chee Lai, Charlie (note)	Interest of controlled corporation and deemed interest	207,960,000	65.1%
Mr. Yip Chee Way, David (note)	Interest of controlled corporation and deemed interest	207,960,000	65.1%
Mr. Yep Gee Kuarn (note)	Interest of controlled corporation and deemed interest	207,960,000	65.1%

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 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 31 March 2013, none of the Directors and chief executive of the Company were interested in short positions in the 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' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the notes 24 and 34 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, the Controlling Shareholders or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2013.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed 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 represent 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 ended 31 March 2013, 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.

Since 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, there are no actual or potential competition between the Group and OTO Singapore and OTO Malaysia.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, no time during the year ended 31 March 2013 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 2013, 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)	65.1%
Ms. Yap Hui Meng (note 2)	Interest of spouse	207,960,000 (note 2)	65.1%
Ms. Yeo Bee Lian (note 2)	Interest of spouse	207,960,000 (note 2)	65.1%
Ms. Yeo Lang Eng (note 2)	Interest of spouse	207,960,000 (note 2)	65.1%
Ms. Tan Swee Geok (note 2)	Interest of spouse	207,960,000 (note 2)	65.1%
Mr. Tan Beng Gim (note 1)	Interest of controlled corporation and deemed interest	207,960,000 (note 1)	65.1%
Ms. Lee Lay Hoon (note 2)	Interest of spouse	207,960,000 (note 2)	65.1%
Ms. Chua Siew Hun (note 1)	Interest of controlled corporation and deemed interest	207,960,000 (note 1)	65.1%
Dr. Lim Kim Show (note 2)	Interest of spouse	207,960,000 (note 2)	65.1%

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 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 2013, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had 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 31,959,400 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 2013 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

In December 2012, the Company repurchased an aggregate of 406,000 ordinary shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK$199,000. The highest repurchase price was HK$0.50 per share, and the lowest repurchase price was HK$0.48 per share.

The repurchases were effected by the Directors for the enhancement of Shareholders' value.

All the ordinary shares of the Company repurchased during the year ended 31 March 2013 were cancelled during the financial year. The premium of approximately HK$167,000 paid on the repurchased shares of the Company was debited to the share premium account. Save as disclosed, neither the Company nor any of its subsidiaries had purchased or sold any of the listed securities of the Company during the year and the Company has not redeemed any of its shares of the Company during the year ended 31 March 2013.

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 year ended 31 March 2013 and up to the date of this report.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 March 2013, the following connected transactions were, and will be continued to be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms no less favorable to our Group than those available from independent third parties, and are expected to continue in the foreseeable future.

(a) Exempted continuing connected transactions

During the year ended 31 March 2013, 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 ended 31 March 2013, the total amount of rental paid by the Group was HK$144,000 (2012: HK$120,000).

The details of the transactions during the year ended 31 March 2013 are set out in note 34 to the consolidated financial statements.

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

During the year ended 31 March 2013, 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 100.0% 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 100.0% 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 ended 31 March 2013, the total amount of R&D expenses borne by and recoverable from OTO Singapore and OTO Malaysia was approximately HK$386,000 (year ended 31 March 2012: approximately HK$166,000) and the waiver granted by the Stock Exchange was HK$1,000,000.

The Directors (including the independent non-executive Directors) of the Company had reviewed the above connected transactions and confirmed that the connected transactions had been entered into in the ordinary and usual course of business, on normal commercial terms and in accordance with the terms of 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 2013 are set out in note 34 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 executed the annual cap amounts for the year ended 31 March 2013 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 34 to the consolidated financial statements, and save as disclosed in "Continuing Connected Transactions" above, none of which constitutes a connected transaction or continuing connected transaction as defined under Chapter 14A of the Listing Rules.

DEED OF NON-COMPETE UNDERTAKINGS

The Company has entered into a deed of non-compete undertakings (the "Deed of Non-Competition Undertakings") with BSEL, Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, 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-Competition Undertakings during the year ended 31 March 2013.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code (the "CG Code") throughout the year ended 31 March 2013. The Corporate Governance Report is set out on pages 33 to 43 of this annual report.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management of the Company and external auditors the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 March 2013.

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 Wednesday, 24 July 2013 to Monday, 29 July 2013, 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 31/F., 148 Electic Road, North Point, Hong Kong not later than 4:30 p.m. on Tuesday, 23 July 2013.

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

Hong Kong, 14 June 2013

CORPORATE GOVERNANCE PRACTICE

The Board of the Company 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.

The Company has adopted the code provisions set out in the CG Code in the Appendix 14 of the Listing Rules as its own code of corporate governance practice.

The Board confirmed that, during the year ended 31 March 2013 (the "Reporting Year") and up to the date of this report, the Company had complied with all applicable code provisions under the CG Code.

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. Having made specific enquiry to all Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Year.

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 CG 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 functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

Throughout the Reporting Year, 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.

Each of the non-executive and independent non-executive Directors was appointed for a term of three years and is subject to the 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 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. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang shall retire from office by rotation at the forthcoming AGM. Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang, 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 the Chief Executive Officer.

DIRECTORS' ATTENDANCE RECORDS

Four Board meetings were held during the Reporting Year.

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

	Number of meetings attended/held during the Reporting Year			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Yip Chee Seng *(Chairman)*	4/4	—	—	—
Mr. Yip Chee Lai, Charlie *(Chief Executive Officer)*	4/4	—	—	—
Mr. Yip Chee Way, David	4/4	—	—	—
Non-executive Director				
Mr. Yep Gee Kuarn	3/4	—	—	0/1
Independent non-executive Directors				
Mr. Chan Yip Keung	4/4	2/2	1/1	—
Mr. Chung Kin Fai	4/4	2/2	1/1	1/1
Ms. Lo Yee Hang	4/4	2/2	1/1	1/1

The attendance of the Directors at the AGM held on 15 August 2012 is as follows:

	Number of meetings attended/held during the Reporting Year
Executive Directors	
Mr. Yip Chee Seng *(Chairman)*	1/1
Mr. Yip Chee Lai, Charlie *(Chief Executive Officer)*	1/1
Mr. Yip Chee Way, David	1/1
Non-executive Director	
Mr. Yep Gee Kuarn	1/1
Independent non-executive Directors	
Mr. Chan Yip Keung	1/1
Mr. Chung Kin Fai	1/1
Ms. Lo Yee Hang	1/1

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.

In addition to regular Board meetings, the Chairman of the Board met with the non-executive Director (including the independent non-executive Directors) without the presence of the Executive Directors.

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 Reporting Year, all the Directors have attended the workshop conducted by a professional and licensed solicitor pertaining to the updates on the Listing Rules and responsibilities and/or duties of directors, as well as training courses relevant to his/her profession. The Directors will continue to attend training that may be required from time to time keeping abreast with the latest changes in laws, regulations and the business environment.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 25 November 2011 with written terms of reference in compliance with Rule 3.21 of the Listing Rules which are available on the website of the Stock Exchange and the Company. 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 2013, including the accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditor for the annual results). The Audit Committee also monitors the effectiveness of the external audit and oversees the appointment, remuneration and terms of engagement of the Company's external auditor, as well as their independence. The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in this annual report comply with the applicable standards and Appendix 16 to the Listing Rules.

During the Reporting Year, 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 CG Code.

Two Audit Committee meetings were held during the Reporting Year. At the meetings, the Audit Committee has performed the following:-

i. reviewed the interim results of the Group for six months ended 30 September 2012;

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

iii. discussed the audit planning for the financial year ended 31 March 2013.

Remuneration Committee

The Company established the Remuneration Committee on 25 November 2011 with written terms of reference in compliance with Rule 3.25 of the Listing Rules which are available on the website of the Stock Exchange and the Company. 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 of 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.

During the year ended 31 March 2013, the Remuneration Committee conducted review of the remuneration policy and structure of the Directors and senior management which will take into account the prevailing market condition and the responsibility of individual members. No change to the terms was proposed to the Board by the Remuneration Committee.

All Directors do not participate in determining their own remuneration.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the Directors for the year ended 31 March 2013 are set out in note 14 to the consolidated financial statements, the remuneration of members of the senior management by band for the year ended 31 March 2013 is set out below:

In the band of	Number of individuals
Nil to HK$1,000,000	4
HK$1,000,000 to HK$1,500,000	1

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 18 of this annual report.

The Remuneration Committee will meet at least once a year.

Nomination Committee

The Company established the Nomination Committee on 25 November 2011 with written terms of reference in compliance with Appendix 14 to the Listing Rules which are available on the website of the Stock Exchange and the Company. 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.

During the year ended 31 March 2013, the Nomination Committee has reviewed the size and composition of the Board. The Nomination Committee has considered candidates and made recommendations to the Board having regard to the relevant skills, experience and the independence of the Directors.

The Nomination Committee will meet at least once a year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for these purposes.

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 CG 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 2013 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.

The Management has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects.

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 pages 50 and 51 of this annual report.

Independent Auditor's Remuneration

During the Reporting Year, the Group was charged HK$1,050,000 for auditing services and HK$300,000 for non-auditing services by the Company's auditors, Deloitte Touche Tohmatsu.

	Fee paid/ payable HK$'000
Annual audit services	1,050
Non-audit services:	
Review of interim results	300
Total	1,350

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) that there were adequate staff with appropriate qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31 March 2013.

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.

According to Rule 3.29 of the Listing Rules, Mr. Wong Yoon Thim and Ms. Lim Yi Ping, have taken no less than 15 hours or the relevant professional training during the Reporting Year.

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 maters 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. 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.

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

EXECUTIVE DIRECTORS

Mr. Yip Chee Seng ("Mr. CS Yip"), aged 63, 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. He is also a member of the Hong Kong Institute of Directors since January 2013. 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 54, 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. Mr. Charlie Yip became a member of the Hong Kong Institute of Directors since January 2013. 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 51, 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 70, 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 47, 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 has been a part-time senior lecturer since 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. Mr. Chan is also an associate member of the Institute of Chartered Accountants in England and Wales since 2007. He became 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 44, 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. He became a member of the Hong Kong Institute of Directors on January 2013.

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 37, 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 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. She is also a member of the Hong Kong Institute of Directors since January 2013.

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 39, 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 and fellow member of the Association of Chartered Certified Accounts in 1999 and 2012, respectively. He became a member of the Institute of Certified Public Accountants of Singapore in 2009. He is also a member of the Hong Kong Institute of Directors since January 2013. 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 36, 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 50, 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 44, 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 local 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.

Mr. Tam Ka Tung, aged 30, is the Assistant Group Financial Controller. He joined the Group in 2012 as the Group Accountant. He assists the Group Financial Controller in overseeing and executing the financial, accounting, internal controls and taxation aspects of the Group. Mr. Tam was admitted as a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales in 2012. Mr. Tam graduated with Bachelor of Science with first class honours in Accounting and Financial Management from the University of Hull, United Kingdom in 2006 and obtained a Master of Arts with merit in Finance and Investment from the University of Nottingham, United Kingdom in 2007. Prior to joining the Group, Mr. Tam has extensive experiences in audit of listed companies and projects of initial public offering and merger and acquisition from Deloitte Touche Tohmatsu and Grant Thornton (currently BDO Limited) in Hong Kong.

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 52 to 117, which comprise the consolidated statement of financial position as at 31 March 2013, 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 2013, 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
14 June 2013

	NOTES	2013 HK$'000	2012 HK$'000 (restated)
Revenue	8	**259,201**	245,658
Other income	9	**6,549**	6,434
Other gains and losses	10	**(1,771)**	1,354
Changes in inventories of finished goods		**4,000**	(861)
Finished goods purchased		**(91,186)**	(77,694)
Staff costs		**(52,049)**	(36,728)
Depreciation expense		**(3,595)**	(1,471)
Finance costs	11	**(350)**	(333)
Listing expenses		**—**	(19,266)
Other expenses		**(117,083)**	(95,689)
Profit before tax	12	**3,716**	21,404
Income tax expense	13	**(1,670)**	(6,050)
Profit for the year		**2,046**	15,354
Other comprehensive (expense) income:			
Fair value loss on available-for-sale investments		**—**	(89)
Reclassification for cumulative fair value loss attributable to disposal of available-for-sale investments to profit or loss		**—**	191
Exchange difference arising on translation		**(155)**	107
		(155)	209
Total comprehensive income for the year		**1,891**	15,563
Earnings per share:	17		
Basic (HK$)		**0.01**	0.06
Diluted (HK$)		**0.01**	0.06

	NOTES	**31.3.2013 HK$'000**	31.3.2012 HK$'000 (restated)	1.4.2011 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	18	**10,336**	6,462	5,540
Investment property	19	**7,650**	6,700	6,050
Deferred tax assets	20	**888**	1,014	1,218
Deposit placed at an insurance company		**3,061**	3,016	1,602
Utility and other deposits paid		**9,145**	7,917	7,142
Investments at fair value through profit or loss		**—**	—	1,922
		31,080	25,109	23,474
Current assets				
Inventories	22	**11,242**	7,242	6,856
Investments at fair value through profit or loss	21	**—**	1,934	2,779
Available-for-sale investments		**—**	—	378
Trade and other receivables	23	**39,865**	31,972	17,067
Amounts due from related parties	24	**386**	166	1,440
Amount due from a director		**—**	—	995
Tax recoverable		**2,930**	1,572	3,182
Pledged bank deposits	25	**17,984**	15,918	6,406
Bank balances and cash	25	**200,013**	221,211	108,233
		272,420	280,015	147,336
Asset classified as held for sale		**—**	—	1,582
		272,420	280,015	148,918

	NOTES	**31.3.2013**	31.3.2012	1.4.2011
		HK$'000	HK$'000	HK$'000
			(restated)	(restated)
Current liabilities				
Trade and other payables	26	**28,476**	21,769	14,789
Amounts due to directors		**—**	—	2,827
Amount due to a related party		**—**	—	2,490
Amounts due to shareholders		**—**	—	223
Obligations under finance leases	27	**179**	76	—
Dividend payables		**—**	—	10,171
Tax payable		**878**	1,903	258
Bank borrowings	28	**11,990**	13,825	13,118
		41,523	37,573	43,876
Net current assets		**230,897**	242,442	105,042
Total assets less current liabilities		**261,977**	267,551	128,516
Capital and reserves				
Share capital	29	**24,928**	24,960	1,029
Reserves		**236,701**	242,413	127,487
		261,629	267,373	128,516
Non-current liability				
Obligations under finance leases	27	**348**	178	—
		261,977	267,551	128,516

The consolidated financial statements on pages 52 to 117 were approved and authorised for issue by the Board of Directors on 14 June 2013 and are signed on its behalf by:

Yip Chee Seng
DIRECTOR

Yip Chee Lai, Charlie
DIRECTOR

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note iii)	Warrant reserve HK$'000	Retained profits HK$'000 (restated)	Total HK$'000
At 1 April 2011 (originally stated)	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 year (restated)	—	—	—	—	—	—	—	—	15,354	15,354
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	—	—	—	15,354	15,563

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note iii)	Warrant reserve HK$'000	Retained profits HK$'000 (restated)	Total HK$'000
Group reorganisation (note i)	6,147	124,911	—	—	—	(131,058)	—	—	—	—
Issue of shares to Pre-IPO investors (note 29)	624	7,704	—	—	—	—	—	—	—	8,328
Contribution from shareholders										
– deemed contribution (note 30)	—	—	—	—	—	1,441	—	—	—	1,441
– capitalisation of loan from shareholder (note ii)	—	—	—	—	—	1,170	—	—	—	1,170
Capitalisation issue (note 29)	10,920	(10,920)	—	—	—	—	—	—	—	—
Issue of shares pursuant to global offering (note 29)	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 (restated)	24,960	227,810	—	—	107	(128,447)	393	—	142,550	267,373
Profit for the year	—	—	—	—	—	—	—	—	2,046	2,046
Other comprehensive expense for the year – exchange difference arising on translation	—	—	—	—	(155)	—	—	—	—	(155)
Total comprehensive (expense) income for the year	—	—	—	—	(155)	—	—	—	2,046	1,891
Shares repurchased and cancelled	(32)	(167)	32	—	—	—	—	—	(32)	(199)
Issue of warrants	—	—	—	—	—	—	—	180	—	180
Dividend paid	—	—	—	—	—	—	—	—	(7,616)	(7,616)
At 31 March 2013	24,928	227,643	32	—	(48)	(128,447)	393	180	136,948	261,629

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 set out in note 2.

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 30, 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 the 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**3,716**	21,404
Adjustments for:		
(Gain) loss on fair value of investments at fair value through profit or loss	**(45)**	146
Loss on disposal of available-for-sale investments	**—**	191
Depreciation of property, plant and equipment	**3,595**	1,471
Finance costs	**350**	333
Gain on fair value of investment property	**(950)**	(650)
Gain on disposal of property, plant and equipment, including asset classified as held for sale	**(166)**	(1,111)
Loss on written off of property, plant and equipment	**3,351**	—
Dividend income from investments in listed equity securities	**—**	(22)
Interest income	**(1,982)**	(921)
Operating cash flows before movements in working capital	**7,869**	20,841
(Increase) decrease in inventories	**(4,000)**	861
Increase in trade and other receivables	**(7,893)**	(10,813)
Increase in amounts due from related parties	**(190)**	(655)
Increase in trade and other payables	**6,707**	4,690
Increase in utility and other deposits paid	**(1,228)**	(775)
Decrease in amount due to a related party	**—**	(2,490)
Cash generated from operations	**1,265**	11,659
Hong Kong Profits Tax paid	**(2,074)**	(2,750)
Macau Complimentary Income Tax paid	**(684)**	(178)
PRC Enterprise Income Tax paid	**(1,168)**	(220)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(2,661)**	8,511

	NOTE	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Advance to a director		—	(338)
Repayment from a director		—	1,333
Acquisition of a subsidiary	30	—	344
Proceeds from redemption of equity-linked note		**1,979**	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
Interest received		**1,937**	921
Proceeds from disposal of property, plant and equipment		**59**	2,999
Additions of property, plant and equipment		**(10,395)**	(2,247)
Increase in deposit placed at an insurance company		—	(1,414)
Increase in pledged bank deposits		**(2,066)**	(9,512)
Advance to related parties		—	(6)
Repayment from related parties		—	1,134
NET CASH USED IN INVESTING ACTIVITIES		**(8,486)**	(3,854)
FINANCING ACTIVITIES			
Dividend paid		**(7,616)**	(10,171)
Repayment of obligations under finance leases		**(157)**	(119)
Interest paid		**(350)**	(333)
Repayment to directors		—	(2,827)
Repayment to shareholders		—	(223)
Loan from ultimate holding company		—	1,170
Repayment to a related party		—	(664)
(Decrease) increase in trust receipt loans		**(791)**	2,742
Repayment of bank loans		**(1,044)**	(2,035)
Cash receipt from issuance of new shares		—	134,728
Proceeds from issue of warrants		**180**	—
Payments of share repurchase		**(199)**	—
Payments of transaction costs attributable to issue of new shares		—	(14,045)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(9,977)**	108,223

	NOTE	2013 HK$'000	2012 HK$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,124)**	112,880
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**221,211**	108,233
Effect of foreign exchange rate changes		**(74)**	98
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**200,013**	221,211

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 - 1111, Cayman Islands and its principal place of business is located on 26th Floor, Pacific Plaza, 410 Des Voeux West, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The parent and ultimate holding company of the Company is BSEL, a company collectively controlled by the Controlling Shareholders, 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 39.

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, for the year ended 31 March 2012, 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 year, 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 ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issue by the HKICPA.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets.

Except as described below, the application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, 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.

The application of the amendments to HKAS 12 has resulted in the Group not recognising 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 entire carrying amounts of the property was recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax assets being increased by HK$329,000 as at 1 April 2011, with the corresponding increase in retained earnings. Similarly, the deferred tax assets have been increased by HK$436,000 as at 31 March 2012.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment property. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 March 2013 and 31 March 2012 reduced by approximately HK$157,000 and HK$107,000 respectively and hence resulted in profit for the years ended 31 March 2013 and 31 March 2012 increased by approximately HK$157,000 and HK$107,000 respectively.

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

Summary of the effects of the above change in accounting policy

The effects of the above change in accounting policy on the financial positions of the Group as at 31 March 2012, is as follows:

	As at 31.3.2012 (originally stated) HK$'000	Adjustment HK$'000	As at 31.3.2012 (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 effects of the above change in accounting policy on the financial positions of the Group as at 1 April 2011, is as follows:

	As at 1.4.2011 (originally stated) HK$'000	Adjustment HK$'000	As at 1.4.2011 (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 effects of the above change in accounting policy on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic and diluted earnings per share

	2013 HK$	2012 HK$
Figures before adjustment	**0.01**	0.06
Adjustment arising from change in accounting policy	**—**	—
Figures after adjustment	**0.01**	0.06

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

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

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The 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.

The adoption of HKFRS 13 in the financial year ending 31 March 2014 will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting period.

Except as described above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 or services.

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.

Income and expenses of subsidiaries acquired or disposed 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 or up to the effective date of disposal, 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses other than reorganisation involving entities under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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 property is derecognised.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 of inventories 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.

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 general policy on borrowing costs (see the accounting policy below).

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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 debt instrument 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 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 debt instrument, 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at FVTPL

Financial assets at FVTPL represent debt securities with embedded derivatives not separated.

A financial asset 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

Equity securities held by the Group that are classified as available-for-sale investment are measured at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as seperate 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 each 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.

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.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

Financial liabilities and equity instruments

Debt 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 companies are recorded at the proceeds received, net of direct issue costs.

Warrants issued by the Company to acquire a fixed number of the Company's own equity instruments for a fixed amount of cash are equity instruments. Any consideration received is recognised directly in equity. Changes in fair value of the equity instruments are not recognised in the consolidated financial statements. When the warrants are exercised, the portion of subscription money for the nominal value of the ordinary shares is recognised to the share capital account while any excess of the subscription money over the nominal value of ordinary shares is taken into the share premium account.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchases, sale, issue or cancellation of the Company's own equity instruments.

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, amount due to a related party, 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.

On derecognition of a financial asset, 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 before tax' 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate 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.

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgement, 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 on-going 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment property

For the purposes of measuring deferred tax arising from investment property that is measured using the fair value model, the directors have 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, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment property, the directors have determined that the presumption that the carrying amount of investment property measured using the fair value model is recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the Group is not subject to any income taxes on disposal of its investment property.

Key sources of estimation uncertainty

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 2013 amounting to HK$34,045,000 (2012: HK$28,171,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 2013 amounting to HK$11,242,000 (2012: HK$7,242,000).

Fair value of investment property

Investment property is stated at fair value based on the valuation performed by independent professional valuer. 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 property 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 2013 amounting to HK$7,650,000 (2012: HK$6,700,000).

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

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**255,489**	268,482
FVTPL		
Designated as at FVTPL	**—**	1,934
	255,489	270,416
Financial liabilities		
Liabilities at amortised cost	**35,301**	32,053

(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 foreign 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 amount due to a related party.

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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
US$	**11,312**	8,966	**20,330**	20,956
HK$	**3,964**	4,636	**—**	—
Renminbi ("RMB")	**41,069**	10,598	**—**	—
Singapore dollar ("SGD")	**10,405**	2,568	**—**	—
Japanese Yen ("JPY")	**—**	—	**323**	—

7. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk (Continued)

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, SGD and JPY against HK$.

The following table details the Group's sensitivity to a 10% (2012: 10%) increase or decrease in HK$ against RMB, SGD and JPY. 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% (2012: 10%) change in foreign currency rates. The following table indicates the impact to the profit after tax where HK$ strengthens 10% (2012: 10%) against the respective foreign currency. For a 10% (2012: 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**		**JPY Impact**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Decrease) increase in profit after tax	**(3,429)**	(885)	**(869)**	(214)	**27**	—

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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

(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 is exposed to fair value interest rate risk in relation to fixed-rate deposit placed at an insurance company, fixed-rate pledged bank deposits (note 25) and fixed-rate obligations under finance leases (note 27). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is insignificant.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Best lending rates and London Interbank Offered Rate ("LIBOR") arising from the Group's borrowings.

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 (2012: 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 (2012: 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:

	2013	2012
	HK$'000	HK$'000
Decrease in profit after tax	**(50)**	(58)

If interest rates had been 50 basis points (2012: 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

As at 31 March 2012, the Group was exposed to other price risk through its investments in equity-linked notes.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to other price risk at the reporting date.

If the price of the respective investments has been 10% higher/lower, profit for the year would increase/decrease by HK$Nil (2012: HK$193,000) as a result of the changes in fair value of investments at fair value through profit or loss.

(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, 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 good reputation. 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 related parties are insignificant after considering the financial strength of these related entities.

The Group has concentration of credit risk as 45% (2012: 39%) 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 good reputation.

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.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

(v) Liquidity risk

The management of the Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The management manages liquidity risk by closely monitoring the Group's cash flow position.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2013
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2013						
Non-derivative financial liabilities						
Trade and other payables	–	23,311	–	–	23,311	23,311
Bank borrowings at variable interest rate	2.61	11,990	–	–	11,990	11,990
Obligations under finance leases	3.59	53	157	382	592	527
		35,354	157	382	35,893	35,828

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 31.3.2012 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 finance leases	3.75	22	66	204	292	254
		32,126	66	204	32,396	32,307

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 2013 and 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$11,990,000 and HK$1,044,000 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 during the year ending 31 March 2014 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 these bank borrowings in the "Repayable on demand or less than 3 months" time band as at 31 March 2013 will amount to HK$12,042,000 (2012: HK$1,055,000).

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 values of 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 2013			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Investment at FVTPL	**—**	**—**	**—**	**—**

	As at 31 March 2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Investment at FVTPL	—	—	1,934	1,934

As at 31 March 2012, the investment at FVTPL represented the equity linked note held by the Group. The equity linked note is matured during the year.

	2013 HK$'000	2012 HK$'000
Investments at FVTPL		
At 1 April	**1,934**	3,901
Gain (loss) in profit or loss	**45**	(146)
Settlements	**(1,979)**	(1,821)
At 31 March	**—**	1,934

Of the total gains or losses for the year included in profit or loss, profit of HK$45,000 related to equity linked note held as at 31 March 2012 and matured during the year (2012: loss of HK$146,000). Fair value gains or losses on equity linked notes are included in 'Other gains or losses'.

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.

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 People's Republic of China ("PRC"). Segment information in PRC was presented for the prior year upon acquisition of OTO Shanghai in June 2011, details of which are set out in note 30.

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

(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 2013

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000
Revenue				
External sales	**172,617**	**29,439**	**57,145**	**259,201**
Inter-segment sales	**10,405**	**—**	**623**	**11,028**
Segment revenue	**183,022**	**29,439**	**57,768**	**270,229**
Elimination				**(11,028)**
Group revenue				**259,201**
Segment profit	**36,084**	**9,632**	**8,758**	**54,474**
Unallocated administrative expenses				**(50,619)**
Other gains and losses				**(1,771)**
Interest income				**1,982**
Finance costs				**(350)**
Profit before tax				**3,716**
Income tax expense				**(1,670)**
Profit for the year				**2,046**

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Year ended 31 March 2012 (restated)

	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 expenses				(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				(6,050)
Profit for the year				15,354

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

The accounting policies of 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 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 2013

	Hong Kong HK$'000	**Macau HK$'000**	**PRC HK$'000**	**Total HK$'000**
Depreciation expense	**2,432**	**14**	**1,149**	**3,595**
Additions to property, plant and equipment	**8,024**	**—**	**2,801**	**10,825**
Gain on disposal of property, plant and equipment	**166**	**—**	**—**	**166**
Loss on written off of property, plant and equipment	**(3,351)**	**—**	**—**	**(3,351)**

Year ended 31 March 2012

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000
Depreciation expense	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

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:

	2013 **HK$'000**	2012 HK$'000
Relaxation products	**202,752**	177,876
Fitness products	**44,116**	34,777
Therapeutic products	**8,970**	29,919
Diagnostic products	**3,363**	3,086
	259,201	245,658

(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.

	2013 **HK$'000**	2012 HK$'000
Hong Kong	**23,232**	19,556
Macau	**476**	229
PRC	**3,422**	1,294
Total assets	**27,130**	21,079

(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

	2013 HK$'000	2012 HK$'000
Repair income	**1,480**	1,337
Delivery income	**2,418**	2,614
Bank interest income and interest income from deposit placed at an insurance company	**1,982**	921
Warranty income	**1**	8
Rental income	**192**	156
Other service income	**160**	500
Dividend income from investments in listed equity securities	**—**	22
Compensation income	**31**	18
Sundry income	**285**	858
	6,549	6,434

10. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Gain on disposal of property, plant and equipment, including asset classified as held for sale	**166**	1,111
Loss on written off of property, plant and equipment	**(3,351)**	—
Gain (loss) from changes in fair value of investments at FVTPL	**45**	(146)
Gain from change in fair value of investment property	**950**	650
Loss on disposal of available-for-sale investments	**—**	(191)
Net exchange gain (loss)	**419**	(70)
	(1,771)	1,354

11. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**317**	325
Finance leases	**33**	8
	350	333

12. PROFIT BEFORE TAX

	2013 HK$'000	2012 HK$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration	**1,050**	980
Cost of inventories recognised as an expense	**87,186**	78,555
Depreciation for property, plant and equipment	**3,625**	1,471
– Shared by related companies as part of the research and development expenditure	**(30)**	—
– Shared by the Group	**3,595**	1,471
Staff retirement benefit costs (including directors' retirement benefit scheme contribution)	**2,757**	1,289
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	**23,699**	26,610
– Contingent rent	**37,431**	27,138
Research and development expenditure		
– Included in staff costs	**1,207**	586
– Included in depreciation expense	**130**	—
– Included in other expenses	**283**	48
	1,620	634
Research and development expenditure shared by related companies (note 34)		
– Staff costs	**(288)**	(153)
– Depreciation expense	**(30)**	—
– Other exepenses	**(68)**	(13)
	(386)	(166)
Research and development expenditure shared by the Group	**1,234**	468

13. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000 (restated)
Current tax:		
Hong Kong Profits Tax	**1,262**	4,324
Macau Complimentary Income Tax	**877**	699
PRC Enterprise Income Tax	**—**	787
	2,139	5,810
(Over) underprovision of taxation in prior years:		
Hong Kong Profits Tax	**224**	36
Macau Complimentary Income Tax	**(89)**	—
PRC Enterprise Income Tax	**(730)**	—
	(595)	36
Deferred tax, as restated (note 20)	**126**	204
	1,670	6,050

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%.

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

	2013 HK$'000	2012 HK$'000 (restated)
Profit before tax	**3,716**	21,404
Tax at Hong Kong Profits Tax rate of 16.5%	**613**	3,532
Tax effect of income not taxable for tax purposes	**(956)**	(585)
Tax effect of expenses not deductible for tax purposes	**1,116**	3,522
Tax effect on tax exemption	**(24)**	(32)
Tax effect of tax loss not recognised	**1,030**	—
Tax effect on different tax rate of operations in other jurisdictions	**297**	(4)
(Over) underprovision of taxation in prior years	**(595)**	36
Others	**189**	(419)
Income tax expense for the year	**1,670**	6,050

Details of deferred taxation are set out in note 20.

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 2013

	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note 1)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Mr. Yip Chee Seng	—	3,000	—	—	3,000
Mr. Yip Chee Lai, Charlie	—	2,602	852	15	3,469
Mr. Yip Chee Way, David	—	1,380	164	—	1,544
Mr. Yep Gee Kuarn	100	—	—	—	100
Mr. Chan Yip Keung	270	—	—	—	270
Mr. Chung Kin Fai	220	—	—	—	220
Ms. Lo Yee Hang	220	—	—	—	220
	810	6,982	1,016	15	8,823

Year ended 31 March 2012

	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note 1)	Retirement benefits scheme contributions HK$'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

Note 1: The performance related incentive payments are determined as a percentage, ranging from 0.5% to 2% per annum, of the Group's turnover of respective geographical locations, after listing of the Company's shares on the Stock Exchange.

Mr. Yip Chee Lai, Charlie is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 March 2013 and 2012.

15. INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2012: three) were the directors of the Group during the year, whose emoluments are included in note 14 above. The emoluments of remaining two (2012: two) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Salary and other benefits	**2,053**	768
Performance related bonus	**—**	309
Retirement benefits scheme contribution	**—**	12
Total emoluments	**2,053**	1,089

Their emoluments were within the following bands:

	2013 HK$'000	2012 HK$'000
Less than HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	—
	2	2

During the years ended 31 March 2013 and 2012, 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 2013 and 2012.

16. DIVIDEND

	2013 HK$'000	2012 HK$'000
Dividend recognised as distribution during the year:		
2012 Final – HK cents 0.950 per share (2012: 2011 Final – HK cents Nil per share)	**3,040**	—
2012 special dividend – HK cents 1.430 per share	**4,576**	—
	7,616	—

No dividends were declared or proposed for the year ended 31 March 2013 nor has any dividend have been proposed since the end of the reporting period.

17. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	HK$'000 (restated)
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**2,046**	15,354
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**319,870**	262,883

The calculation of the weighted average number of shares outstanding during the year ended 31 March 2012 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 the year ended 31 March 2012, 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.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants as the exercise price of those warrants is higher than the average market price for shares for the year ended 31 March 2013.

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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 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
Additions	—	—	4,450	462	5,913	10,825
Disposals	—	—	(130)	(295)	—	(425)
Written off (note)	—	—	(3,500)	—	(1,924)	(5,424)
Exchange adjustments	—	—	67	—	22	89
At 31 March 2013	1,091	4,250	9,751	1,437	16,403	32,932
DEPRECIATION						
At 1 April 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
Provided for the year	44	94	736	266	2,485	3,625
Eliminated on disposals	—	—	(73)	(295)	—	(368)
Eliminated on written off (note)	—	—	(292)	—	(1,781)	(2,073)
Exchange adjustments	—	—	1	—	6	7
At 31 March 2013	786	1,699	8,555	909	10,647	22,596
CARRYING VALUES						
At 31 March 2013	305	2,551	1,196	528	5,756	10,336
At 31 March 2012	349	2,645	681	332	2,455	6,462

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

The above items of property, plant and equipment are depreciated 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% - 50%
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$528,000 (2012: HK$332,000) in respect of assets held under finance leases.

Note: During the year ended 31 March 2013, certain equipment in relation to products with weak marketability were written off.

19. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2011	6,050
Increase in fair value	650
At 31 March 2012	6,700
Increase in fair value	950
At 31 March 2013	7,650

The fair value of the Group's investment property at 31 March 2013 and 2012 have been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers not connected with the Group. The valuation report on the property 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 property as at 31 March 2013 and 2012 was arrived at using market transaction model by reference to market evidence of transaction prices for similar properties.

The investment property shown above is situated on land in Hong Kong under long-term leases.

20. DEFERRED TAX ASSETS

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

	Depreciation in excess of tax allowance on property, plant and equipment HK$'000	Revaluation of investment property HK$'000	Fair value adjustments on customer loyalty programmes HK$'000	Total HK$'000
As at 1 April 2011 (originally stated)	1,031	(329)	187	889
Effects of change in accounting policy	—	329	—	329
As at 1 April 2011 (restated)	1,031	—	187	1,218
Charge to profit or loss (restated)	(28)	—	(176)	(204)
As at 31 March 2012 (restated)	1,003	—	11	1,014
(Charge) credit to profit or loss	(127)	—	1	(126)
As at 31 March 2013	876	—	12	888

At the end of the reporting period, the Group has unused tax losses of HK$6,242,000 (2012: HK$Nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses will expire in the following years ending 31 March:

	2013 HK$'000	2012 HK$'000
2018	**6,242**	—

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$Nil (2012: HK$3,930,000). No deferred taxation 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

	2013 **HK$'000**	2012 HK$'000
Equity-linked note	—	1,934

The balance as at 31 March 2012 mainly represented an unlisted equity-linked note of aggregate principal amount of HK$1,976,000 which matured on 4 September 2012.

The equity-linked note with maturity date on 4 September 2012 entitled the Group to receive the principal plus an additional payment, if any, on maturity date. The additional payment was calculated from a predetermined formula which was linked to the market price of an underlying listed security in Hong Kong.

The note was subject to the option of early termination at the discretion of the holders. The equity linked notes, which contained a host debt contract and an embedded derivative, were designated as financial assets at fair value through profit or loss and measured at fair value at the end of the reporting period.

The fair value of the equity-linked notes which were outstanding at the end of reporting period were determined based on prices quoted by the banks, who were also the issuers. Key assumptions included the prices of underlying shares and market interest rates.

22. INVENTORIES

All inventories represent finished goods held for resales.

23. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**32,474**	26,996
Prepayments	**3,342**	3,801
Other receivables	**1,571**	1,175
Deposits	**2,478**	—
	39,865	31,972

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.

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:

	2013 HK$'000	2012 HK$'000
0 - 30 days	**21,293**	12,986
31 - 60 days	**5,679**	5,883
61 - 90 days	**3,099**	3,574
Over 90 days	**2,403**	4,553
	32,474	26,996

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 2013, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$9,149,000 (2012: HK$8,610,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. There has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Aging of trade receivables (by invoice date) which are past due but not impaired:

	2013 HK$'000	2012 HK$'000
0 - 30 days	**6,399**	76
31 - 60 days	**2,043**	3,288
61 - 90 days	**199**	1,016
Over 90 days	**508**	4,230
	9,149	8,610

As at 31 March 2013 and 2012, the Group has not provided for any allowance for doubtful debts.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date at which credit was initially granted up to the reporting date.

24. AMOUNTS DUE FROM RELATED PARTIES

	Notes	2013 HK$'000	2012 HK$'000
OTO Bodycare Sdn. Bhd. ("OTO Malaysia")	i	**93**	36
OTO Singapore	ii	**293**	130
		386	166

Notes:

(i) Mr. Yep Gee Kuarn and Mr. Yip Chee Seng are directors and shareholders of OTO Malaysia of which holds 45.8% and 54.2% interests respectively. The amount is trade nature and repayable within 30 days.

(ii) The Controlling Shareholders, except for Mr. Yip Chee Lai, Charlie, are shareholders of OTO Singapore. 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 4.2% interest in OTO Singapore. Mr. Yip Chee Seng and his spouse together hold a 90.4% interest in OTO Singapore and Mr. Yep Gee Kuarn and his spouse together hold a 5.4% interest in OTO Singapore.

The amount is trade nature and repayable within 30 days.

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry variable interest rates ranging from 0.1% to 3.25% (2012: 0.09% to 0.11%) per annum.

Deposits amounting to HK$17,984,000 (2012: HK$15,918,000) 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 0.08% to 0.51% (2012: from 0.10% to 0.37%) per annum.

26. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	**12,620**	11,367
Receipts in advance	**3,920**	2,427
Accruals	**8,493**	5,353
Others (Note)	**3,443**	2,622
	28,476	21,769

Note: Includes HK$215,000 (2012: HK$86,000) deferred revenue in relation to customer loyalty programmes.

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

	2013	2012
	HK$'000	HK$'000
0 - 30 days	**9,246**	7,146
31 - 60 days	**2,575**	2,903
61 - 90 days	**799**	676
Over 90 days	**—**	642
	12,620	11,367

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

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**210**	88	**179**	76
In more than one year but not more than two years	**382**	204	**348**	178
	592	292	**527**	254
Less: Future finance charges	**(65)**	(38)	**N/A**	N/A
Present value of lease obligations	**527**	254	**527**	254
Less: Amounts due within one year shown under current liabilities			**(179)**	(76)
Amounts due after one year shown as non-current liability			**348**	178

The Group has leased motor vehicles under finance leases. The lease terms are four years. The average effective borrowing rate for the year ended 31 March 2013 is 3.59% (2012: 3.75%) per annum. Interest rate is fixed and ranged from 3.5% to 3.75% (2012: 3.75%) on the contract date. The lease are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the finance lease obligations, determined based on the present value of the estimated future cash flow discounted using the prevailing market rate at the end of the reporting period approximates to their carrying amount. All finance lease obligations are denominated in Hong Kong dollars.

28. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank loans	—	1,044
Trust receipt loans	11,990	12,781
	11,990	13,825
Secured	11,990	12,781
Unsecured	—	1,044
	11,990	13,825
Carrying amount repayable within one year	—	12,781
Carrying amount of bank borrowings that contain a repayment on demand clause		
– repayable within one year	11,990	1,044
	11,990	13,825
Less: Amounts due within one year shown under current liabilities	(11,990)	(13,825)
Amount due after one year shown as non-current liability	—	—

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

	2013 HK$'000	2012 HK$'000
Variable rates:		
– Best lending rates plus margin	712	12,056
– LIBOR plus 1.75% to 2.25%	9,491	—
– Standard Bills Rates	1,787	1,769
	11,990	13,825

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

	2013	2012
Variable rate borrowings	1.85% - 5.44%	1.7% - 6.3%

The Group's borrowings are denominated in HK$, JPY and US$.

29. 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 and 31 March 2013	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 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
Shares repurchased and cancelled	(406,000)	(4,060)
At 31 March 2013	319,594,000	3,195,940

	2013 HK$'000	2012 HK$'000
Presented as	**24,928**	24,960

29. SHARE CAPITAL *(Continued)*

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of the ordinary shares of US$0.01 each	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid
		HK$	HK$	HK$'000
December, 2012	406,000	0.50	0.48	199

The above shares were cancelled upon repurchase.

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.

30. 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.

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

30. ACQUISITION OF A SUBSIDIARY *(Continued)*

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$16,156,000. 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.

31. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 March 2013, 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$430,000 (2012: HK$373,000).

For the year ended 31 March 2012, the consideration for the acquisition of a subsidiary that occurred during that 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.

32. PLEDGE OF ASSETS

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

	2013 **HK$'000**	2012 HK$'000
Leasehold land and buildings		
– included in property, plant and equipment	**2,856**	2,994
Investment property	**7,650**	6,700
Bank deposits	**17,984**	15,918
Investments at FVTPL	**—**	1,934
	28,490	27,546

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.

33. 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$192,000 (2012: 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$229,000 (2012: HK$192,000) under non-cancellable operating leases which fall due within one year.

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

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:

	2013	2012
	HK$'000	HK$'000
Within one year	**26,872**	24,089
In the second to fifth years inclusive	**12,203**	11,233
	39,075	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.

34. RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in notes 24 and 30, during the year the Group entered into following transactions with related parties:

(i)

Name of related parties	Nature of transaction	**2013** **HK$'000**	2012 HK$'000
OTO Singapore	Trade sales	**—**	118
	Trade purchases	**—**	44
	Share of research and development expenses	**293**	130
OTO Malaysia	Trade sales	**—**	5
	Share of research and development expenses	**93**	36
OTO Shanghai	Trade sales	**—**	853
	Trade purchases	**—**	702
Mr. Yip Chee Lai, Charlie	Rental expenses	**144**	120

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

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 their respective turnovers during the same year.

The balances of amounts due from related parties are disclosed in the consolidated statement of financial position and in note 24.

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

35. 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 2013 and 2012, the Group had no significant obligation apart from the contribution as stated above.

36. 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 2013 and 2012, no share options were granted under the Scheme by the Company. In addition, as of 31 March 2013 and 2012, no share options under the Scheme were outstanding.

37. WARRANTS

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). The Group has received HK$180,000 from the warrrant holders upon issue of these warrants.

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. During the year ended 31 March 2013, no warrant is exercised.

38. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 HK$'000	2012 HK$'000
Investment in subsidiaries	**132,087**	132,087
Prepayments and other receivables	**537**	994
Amounts due from subsidiaries	**31,792**	39,500
Bank balances and cash	**95,423**	101,930
Other payables and accrued expenses	**(443)**	(781)
Amounts due to subsidiaries	**(1,286)**	(4,861)
	258,110	268,869
Share capital	**24,928**	24,960
Reserves	**233,182**	243,909
	258,110	268,869

Movement of Reserves

	Share premium HK$'000	Warrants reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011	—	—	—	(2,720)	(2,720)
Profit for the year	—	—	—	18,819	18,819
Group reorganisation	124,911	—	—	—	124,911
Issue of shares to Pre-IPO investors	7,704	—	—	—	7,704
Capitalisation issue	(10,920)	—	—	—	(10,920)
Issue of shares pursuant to global offering	120,160	—	—	—	120,160
Transaction costs attributable to issue of shares	(14,045)	—	—	—	(14,045)
At 31 March 2012	227,810	—	—	16,099	243,909
Loss for the year	—	—	—	(3,124)	(3,124)
Shares repurchased and cancelled	(167)	—	32	(32)	(167)
Issue of warrants	—	180	—	—	180
Dividend paid	—	—	—	(7,616)	(7,616)
At 31 December 2013	**227,643**	**180**	**32**	**5,327**	**233,182**

39. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries, all of which are wholly-owned by the Company, as at 31 March 2013 and 2012 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	Principal activities
OTO BVI	BVI 7 January 2011	US$16,252	100%	Investment holding
OTO (HK) Investment	Hong Kong 17 February 2011	HK$1	100%	Investment holding
OTO HK	Hong Kong 14 November 1986	HK$1,000,000	100%	Sales of health and wellness products in Hong Kong
OTO Macau	Macau 13 September 2005	MOP30,000	100%	Sales of health and wellness products in Macau
OTO Shanghai#	PRC 25 March 2010	Registered capital US$5,150,000 (Paid up capital US$3,157,959)	100%	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 30.

A summary of the results and of the assets and liabilities of the Group for the last five 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				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**259,201**	245,658	209,402	289,283	144,229
Other income	**6,549**	6,434	4,700	3,102	2,064
Other gains and losses	**(1,771)**	1,354	1,185	1,783	(1,242)
Changes in inventories of finished goods	**4,000**	(861)	1,574	495	1,014
Finished goods purchased	**(91,186)**	(77,694)	(59,773)	(82,124)	(38,581)
Staff costs	**(52,049)**	(36,728)	(29,186)	(40,217)	(23,334)
Depreciation expense	**(3,595)**	(1,471)	(1,465)	(1,491)	(2,977)
Finance costs	**(350)**	(333)	(404)	(600)	(568)
Listing expenses	**—**	(19,266)	(2,691)	—	—
Other expenses	**(117,083)**	(95,689)	(79,308)	(88,737)	(64,176)
Profit before tax	**3,716**	21,404	44,034	81,494	16,429
Income tax expenses	**(1,670)**	(6,050)	(6,855)	(12,355)	(1,133)
Profit for the year	**2,046**	15,354	37,179	69,139	15,296

ASSETS, LIABILITIES AND EQUITY

	At 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**303,500**	305,124	172,392	160,961	72,013
TOTAL LIABILITIES	**41,871**	37,751	43,876	66,001	30,131
TOTAL EQUITY	**261,629**	267,373	128,516	94,960	41,882

Note:

The figures for the prior years 2012 and 2011 have been restated pursuant to the adoption of the applicable Hong Kong Financial Reporting Standards as explained in note 3 to the financial statements. Figures for the years prior to 2011 have not been restated as the effect on financial statements is not material.